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W.L. Hayhurst

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Differences Between United States and Canadian Intellectual Property Laws—Real and Apparent

by *W.L. Hayhurst* *

I. INTRODUCTION

There can be few Canadians who do not claim and cherish ties that they have with the United States. There are ties of common heritage and tradition, ties of friendship, family ties. We have close economic ties, close cultural ties, and our policies towards other nations are closely linked. We emphasize the things that we share; our differences are minor. This is true in our intellectual property laws. To survey the similarities in those laws would have required a virtual treatise on intellectual property.

Before turning to differences in our laws, and for the benefit for those who may be new to the study of intellectual property, I should make reference to the fact that the United States, Canada and most of our important trading partners have treaty obligations which require certain fundamental provisions to be included in our domestic intellectual property laws. The Paris Convention for the Protection of Industrial Property relates to the protection of inventions, industrial designs, trade marks, and certain other types of intellectual property that we need not pause to consider.¹ Article 2 of the Paris Convention requires "national treatment." This means that whatever advantages are given under a country's intellectual property laws to its own nationals must also be available (for subject matter falling within the Convention, to the nationals of other countries that have joined the Convention. In conformity with the national treatment principle, the domestic patent, design and trade mark laws of Canada and of the United States are fully accessible to the nationals of both countries.

The Paris Convention does not deal with copyright. Both Canada and the United States have adhered to the Universal Copyright Convention² which, in Article II, also requires application of the principle of national treatment. But long before the advent of this Convention, Can-

* Member of the firm of Ridout & Maybee (Toronto, Ontario); lecturer, University of Toronto. Mr. Hayhurst is a former President of the Patent and Trademark Institute of Canada.

¹ Canada has adhered to the London revision of 1924. The U.S. has adhered to the Stockholm revision of 1967. If Canada were to adhere to the Stockholm revision, it would have to make minor amendments to its domestic laws.

² Canada has adhered to the original Geneva text of 1952. The U.S. has adhered to the revised Paris text of 1971.

ada and the United States had extended to each others' nationals the benefit of their copyright laws on a reciprocal basis.

There is another important copyright treaty which Canada has signed, but the United States has not, namely, the Berne Copyright Convention. I shall mention it below when discussing differences in our copyright laws.

Fundamental to all these Conventions is the principle of national treatment, but that principle does not require uniformity of laws: it merely requires that, on the domestic scene, eligible foreigners be given the same treatment as is given to one's own nationals. For example, it is not contrary to a country's Paris Convention obligations to deny (as Canada does) patent protection to inventors of methods of medical treatment of the human body, though such protection may be available in other Convention countries (such as the United States). It would be contrary to the Paris Convention to grant patent protection for such inventions to one's own nationals but to deny it to inventors of other countries belonging to the Convention.

The Conventions that I have mentioned include additional provisions which require minimum standards on certain points, though the standards are sometimes vague. For example, the Universal Copyright Convention requires, in Article I, that all signatories provide "adequate and effective" protection in respect of literary, scientific and artistic works, including writings, musical, dramatic and cinematographic works, and paintings, engravings and sculpture.

The Conventions are important, but the United States and Canada are easily able to meet their Convention obligations while having very different intellectual property statutes. Because we do in fact have different statutes and regulations, a myriad of differences could be listed. Most are of no substantive importance, though they require a watchful eye in the humdrum of daily practice. No attempt will be made here to write a practitioner's handbook. Rather I shall focus on points where significant differences of principle have developed. The selection is necessarily a personal one, and the experiences of others might have led them to make a different selection.

I have referred to differences in statutes and regulations, but there are also some divergent themes in nonstatutory law. We share the great traditions of the English common law, but since at least 1776 United States and Canadian courts have developed that law with little cross-reference to one another. There has been greater judicial conservatism in Canada than in the United States. The number of Canadian court decisions in intellectual property cases is minute compared to the abundance of decisions in the United States, and statements about Canadian law must sometimes be more tentative than we should like them to be.

I shall begin with a few developments in areas not covered by statute, and then turn to the latter. In a short paper it is possible to trace

only the general outlines of the differences in the laws, without probing details which may be important in particular cases. Because I am a Canadian, whatever I say about U.S. law must be read with particular circumspection. I shall say very little about issues of alleged invalidity of industrial property rights, because such issues are the subject of other papers to be delivered at this Conference.

II. RESTRAINT OF TRADE

At least by the end of the 16th century, it was established by the common law of England that restraints imposed by traders to create a monopoly were void.³ Nor will the common law enforce a contractual restraint that is unreasonable between the parties or that is contrary to the public interest.⁴ The fact that a restraint is imposed in respect of an intellectual property right does not affect the principle.⁵

Historically, however, when the owner of an intellectual property right was prepared to cede something to others, his concomitant imposition of restraints was likely to be upheld. In an English case, *Incandescent v. Cantelo*, Wills J. expressed the opinion that a patentee may impose any condition that he wishes when selling a patented article.⁶ This principle was at one time accepted in the United States.⁷ But in 1917 the U.S. Supreme Court altered course and held void, as contrary to public policy, a tying condition imposed by a patentee.⁸

United States courts have also developed a doctrine of exhaustion, which holds that sale of a patented article by a patentee exhausts his rights, and that a condition imposed by a patentee at the time of sale is not binding upon subsequent purchasers even though the latter are aware of the condition at the time they purchase.⁹ This doctrine was rejected by the Privy Council, in an Australian appeal, in *National Phonograph v.*

³ *Davenant v. Hurdis*, Trin., 41 Eliz. Rot. 92, referred to in the Case of Monopolies *Darcy v. Allein*, 77 E.R. 1260, 1263 (1602).

⁴ *Nordenfelt v. Nordenfelt*, 1894 A.C. 535.

⁵ *Mouchel v. Cubitt*, 24 R.P.C. 294 (Ch.D. 1907); *Tool Metal v. Tungsten*, 72 R.P.C. 209 (H.L. 1955); *Schroeder Music v. Macaulay*, [1974] 1 W.L.R. 1308 (H.L.); *Culzean v. Midwestern Broom*, 82 C.P.R.2d 175 (Sask. Q.P. 1984).

⁶ *Incandescent v. Cantelo*, 12 R.P.C. 262 (1895 Ch.) The patentee sold patented mantles subject to the tying condition that they be used with unpatented burners sold by the patentee. The judge's views on the enforceability of the condition were obiter, but the same view was taken in the subsequent Canadian decision of *Copeland-Chatterton v. Hatton*, 10 Ex. C.R. 224 (1906), *aff'd.*, 37 S.C.R. 65. Later decisions in England are cited in *Henry v. A.B. Dick*, 224 U.S. 1, 40-43 (1911).

⁷ *Henry v. A.B. Dick*, 224 U.S. 1 (1911).

⁸ *Motion Picture Patents v. Universal Film*, 243 U.S. 502 (1917). The condition was that the patented motion picture projection mechanism was to be used only with films coming from a certain source. The Court said that it was unnecessary to rely on the antitrust laws to hold the condition void. *Id.* at 517.

⁹ An early indication of this doctrine appears in *Adams v. Burke*, 64 U.S. 453, 456 (1873). For an interesting recent study, see Stern, *Vertical Patent Restraints in the United States of America. Exhaustion of Rights by an Authorized Sale, After the GTE Sylvania Case*, 1985 INDUSTRIAL PROPERTY 278.

Menck, where it was held that a condition imposed by a patentee when he sells a patented article is binding upon a subsequent purchaser who takes with notice of the condition: to this extent the condition runs with the patented goods.¹⁰ (This doctrine does not apply to copyright which, unlike the patent right, does not include a plenary right to exclude use and sale of the copyright work.¹¹) In England the common law position has been altered, in relation to patents, by statute.¹² Canadian courts can be expected to adhere to the old rule expounded in the *National Photograph* case,¹³ and to regard a change in the law as a matter for legislation.¹⁴

The Canadian Parliament has enacted compulsory licensing¹⁵ and antitrust¹⁶ legislation, which will be referred to below in discussing statutory differences between the U.S. and Canada.

III. DEFENCES OF MISUSE AND FRAUD

It has long been an equitable doctrine that he who seeks equity must do equity. In the *Morton Salt* case in 1942 the patentee was leasing his patented machines subject to a tying condition.¹⁷ This was regarded as a misuse of the patent right, and the U.S. Supreme Court said that an action for patent infringement would not be entertained until the improper practice had been abandoned and the consequences of the misuse had been dissipated. Consequently, it is precedent in the United States to avoid imposing contractual conditions which may be regarded as extending one's intellectual property rights.

In theory such a judicially developed doctrine might have been accepted in Canada, but in fact it has not been. The farthest that Canadian courts have been persuaded to go, so far, has been to suggest that the

¹⁰ *National Phonograph v. Menck*, 28 R.P.C. 229 (1911). The defendant knew that the patented phonographs were sold by the patentee subject to the condition that no one's records could be accepted in exchange for the phonographs.

¹¹ *Barker v. Stickney*, [1919] K.B. 121, 132 (C.A.); *Interstate Parcel v. Time-Life*, 138 C.L.R. 534 (1977 Austl.). The right of vending provided by U.S. copyright legislation does not confer a right to control subsequent sales: *Bobbs-Merrill v. Straus*, 210 U.S. 339 (1908).

¹² Patents Act 1977, § 44, successor to the Patents Act 1907, § 38.

¹³ *National Photograph*, 28 R.P.C. 229 (1911). The judges may have gone too far in the *Copeland-Chatterton*, 10 Ex.C.R., and the *Incandescent*, 12 R.P.C., cases by suggesting that a patentee may impose unreasonable conditions but tying conditions which were approved in those cases would probably have been considered as reasonable.

¹⁴ There may be a constitutional difficulty. The Canadian Parliament has the exclusive right to legislate in relation to patents, copyrights, and (it is generally assumed) trade marks, whereas property and civil rights are reserved to the provincial legislatures: THE CONSTITUTION ACT 1867, §§ 91, 92. But see *Smith, Kline & French v. A. G. Canada*, 7 C.P.R.3d 145 (Fed. Ct. 1986); *Rocois v. Quebec Ready Mix*, (Fed. C.A. Nov. 21, 1985).

¹⁵ Patent Act, R.S.C. ch. P-4 (1970), §§ 67-73.

¹⁶ Combines Investigation Act, R.S.C. ch. C-23 (1970), as amended.

¹⁷ 314 U.S. 488 (1942). The condition was that the patented canning machines were to be used only with salt tablets (which were unpatented) purchased from a wholly-owned subsidiary of the patentee.

plaintiff in an action for infringement of an intellectual property right would fail if he could not establish his cause of action without relying upon an illegal transaction, or if it were shown that the plaintiff was party to a scheme to further some illegal object injurious to the defendant and that the infringement action was merely one step in the prosecution of that scheme.¹⁸ Until now, no defendant in Canada has successfully relied upon any such misuse defence.

In the United States numerous actions for infringement have failed as a result of successful pleas that an intellectual property right is void if obtained by fraud, or is unenforceable if obtained by inequitable conduct, which must be assessed from case to case.¹⁹ A Canadian intellectual property right obtained by fraud should also be invalid,²⁰ but we have no instance where an allegation of fraud, much less inequitable conduct in obtaining the right, has been made out. For many years, in Canadian patent litigation, there was judicial reluctance even to receive the Patent Office file in evidence. This reluctance has diminished. It is unlikely that a Canadian court would consider that the issue is an equitable one relating to enforceability; rather, it is probable that it would be necessary to show that the patent was obtained as a result of a material false suggestion, material in the "but for" sense that the patent would be invalid on some other more traditional ground such as lack of novelty, insufficiency of the specification or excess breadth of claim.²¹ In a Canadian court one is usually well advised to take the patent as it is, rather than to focus upon alleged improprieties that may have been practised, through professional advisers, in obtaining the patent.

VI. ANTITRUST LAWS

In the United States anyone with an exclusive or dominant position in the marketplace must take care to keep abreast of developments in antitrust law, not only because of the risk of government prosecution but also because there is potential exposure to civil liability.²² No attempt will be made here to review the vast body of U.S. law.²³

By contrast, Canadian antitrust legislation has been of minor significance to owners of intellectual property. In Canada we have a federal

¹⁸ R.B.M. v. Philips, 9 C.P.R.2d 46 (Fed. C.A. 1973).

¹⁹ Walker Process v. Food Machinery, 283 U.S. 172 (1965); J. P. Stevens v. Lex Tex, 223 U.S.P.Q. 1089 (Fed. Cir. 1984). The position in the U.S. is summarized by Stern, *Fraud on the Patent and Trademark Office and Related Inequitable Conduct*, [1986] 1 E.I.P.R. 10.

²⁰ Hayhurst, *Grounds for Invalidating Patents*, 18 C.P.R.2d 222, 250-254 (1975).

²¹ Cf. Patent Act R.S.C. ch. P-4, § 55, considered recently by the Federal Court of Appeals in *Beloit v. Valmet Oy* (Feb. 10, 1986). See also Oyen, *Fraud on the Canadian Patent Office - What Does It Take?* [1985] 4 E.I.P.R. 95.

²² *Mercoid v. Minneapolis - Honeywell*, 320 U.S. 680, 684 (1944).

²³ See, e.g., Weston, *New Trends in the U.S. Antitrust Law: The Patent-Antitrust Interface as an Example* 15 I.I.C. 269 (1984).

statute, the Combines Investigation Act.²⁴ This statute includes provisions to the following general effect, but in practice the provisions have rarely been invoked:

1. The Federal Court of Canada may, if requested by the Attorney General of Canada, consider whether the owner of a patent or trade mark has exercised his rights so as unduly to restrain or limit production, trade or competition. On finding any such abuses, the Court may restrain their continuance, may order the grant of licenses, declare agreements to be void, revoke patents, and expunge trade mark registrations.²⁵
2. It is a criminal offense to engage in a combine or conspiracy which unduly restrains or limits production, trade or competition.²⁶
3. Other offenses are created relating, *inter alia*, to attempts to keep prices up,²⁷ and to false or misleading representations.²⁸ The latter provisions have been vigorously enforced. There are numerous other federal and provincial statutes relating to false and misleading representations.
4. It is a criminal offense to create a monopoly, but the exercise of patent rights is excluded from the offense.²⁹
5. The Restrictive Trade Practices Commission may make orders designed to combat refusals to deal, consignment selling if used to control prices of a dealer or to discriminate between dealers, exclusive dealing, market restriction, and tied selling, and may also require that foreign judgments or directives not be implemented in Canada if to do so would adversely affect Canadian trade.³⁰
6. The Act provides a civil right of action for damages caused by commission of one of the offenses mentioned above, or by failure to comply with an order made under the Act by the Restrictive Trade Practices Commission or by a court.³¹

Why have there been so few Canadian decisions where the courts have considered arguments that an owner of intellectual property has been imposing undue restraints on trade, or has engaged in misuse of his rights, or in fraudulent practices or in activities contrary to the Combines

²⁴ Combines Investigation Act, R.S.C. ch. C-23 (1970). This statute is the subject of a pending revision in Bill C-91, but the bill, if passed, would not significantly affect the owners of intellectual property.

²⁵ *Id.* at § 29.

²⁶ *Id.* at § 32.

²⁷ *Id.* at § 38.

²⁸ *Id.* at §§ 36, 36.1, 37.3.

²⁹ *Id.* at §§ 2, 33. Bill C-91 will, if enacted, delete the offense relating to a monopoly and provide that a Competition Tribunal may prohibit anyone in a dominant position in a market from engaging in certain anti-competitive acts; but the exercise of intellectual property rights would not constitute such acts. Bill C-91, §§ 20, 51.

³⁰ *Id.* at § 31.2-7. It is an offense to violate an order of the Commission. *Id.* at § 46.1.

³¹ *Id.* at § 31.1. The constitutionality of this provision has been denied by some judges, but has recently been upheld in the Federal Court of Appeals: *Rocois v. Quebec Ready Mix*, (Fed. C.A. Nov. 21, 1985); and in the Ontario Court of Appeal: *City National Leasing v. General Motors* (January 23, 1986).

Investigation Act? I suspect that one significant reason is that a high proportion of Canadian intellectual property rights have U.S. and other non-Canadian owners, and such owners tend to conform their international practices to ones which will bear scrutiny at home.

IV. PATENTS

The Canadian Patent Act³² owes much to the U.S. legislation. From early U.S. statutes we acquired, *inter alia*, our definition of an invention ("any new and useful art, process, machine, manufacture or composition of matter . . ."³³), a two year period of grace within which to file in Canada,³⁴ and our statutory provisions for a full disclosure and for distinct and explicit claims,³⁵ but we have not amended our Act to keep up with later U.S. amendments. In 1976 the then Canadian government published a Working Paper on Patent Law Revision,³⁶ a document that received such adverse comment both at home and abroad that little has subsequently been heard of a general patent law revision in Canada.

A. Patentable Subject Matter

What constitutes patentable subject matter, i.e., an art, process, machine, manufacture or composition of matter, is decided at first instance in the Patent Office. A rejection by a Canadian Patent Office Examiner may be appealed to the Commissioner of Patents, who acts on the advice of a non-statutory body called the Patent Appeal Board. That Board has an informal procedure, gives to applicants ample opportunity to amend in light of its views, and has rendered decisions that have met with general approbation. On issues of patentable subject matter the Board has kept an eye on U.S. developments.

1. Computer Related Inventions

Early uncertainties about the patentability of processes which include computer operations, and of apparatus which include programmed means, have been substantially resolved, at the Patent Office level, by the Patent Appeal Board. Taking its cue from observations in the only Canadian court decision in this area,³⁷ the Board has made it clear that a reference in a claim to a computer or to computer operations does not make the claim unpatentable.³⁸ A claim will be rejected if drawn to a

³² Patent Act, R.S.C. ch. P-4 (1970).

³³ *Id.* at § 2.

³⁴ *Id.* at § 29(1)(b)(c).

³⁵ *Id.* at § 36.

³⁶ Available from SUPPLY AND SERVICES CANADA catalogue no. RG43-11/1976.

³⁷ Schlumberger v. Commissioner, 56 C.P.R.2d 204 (Fed. C.A. 1981).

³⁸ McDonough, *Appeal Board Decision With Respect to Computer Software* 1 P.T.I.C. REV. 20 (1985); Hayhurst, *Pythagoras and the Computer* [1982] 8 E.I.P.R. 223.

mere theorem, or to the mere use of a computer to do calculations. But what passes muster in the United States is likely to do so in Canada.

2. Living Matter

Here, again, the Canadian Patent Appeal Board has taken a progressive view, and has clearly been influenced by U.S. decisions. In *Abitibi's Application*, the Board allowed claims to a mixture of fungi which had been acclimatized so as to be capable of biodegrading sulfite waste that is produced in making wood pulp.³⁹ At least in the field of biotechnology, the fact that the subject matter is living is not regarded by the Board as making it unpatentable. There should be no difficulty in principle about patenting a process for producing a life form, and the life form when produced by the process. There are, as yet, no Canadian court decisions except in relation to microbiological fermentation processes, the patentability of which, and of the products produced thereby has never been seriously doubted.⁴⁰

3. Foods and Medicines; Products and Processes

The Canadian Patent Act has a unique provision in § 41(1) which precludes obtaining a patent for a substance per se if the substance is intended for food or medicine and is produced by a chemical process. The process itself may be patentable and a claim to the substance may be allowed if limited to the claimed process.⁴¹

Some compensation for the inability to obtain a claim to a chemically produced food or medicine, independent of its process of production, is the willingness of the Canadian courts to uphold a process claim where the process would have been an obvious one to produce the product, if the product has properties that were not obvious.⁴² Such a process claim would not be allowed in the United States.⁴³

Another compensation for the above mentioned requirement that claims in this field have process limitations is the provision, in § 41(2) of the Canadian Act, that in an action for infringement, where the substance produced by the process is new, any substance of the same chemical composition and constitution shall, in the absence of proof to the contrary, be deemed to have been produced by the patented process. In Canada it is accepted that a process claim is infringed by the sale or use

³⁹ 62 C.P.R.2d 81 (1982). In every case there must, of course, be sufficient information in the specification to enable an expert in the art to repeat what the inventor has done, and there must be novelty, unobviousness and utility in what is claimed.

⁴⁰ See, e.g., *American Cynamid's Patent*, 1971 R.P.C. 425, 448 (H.L.), *American Cynamid v. Frosst*, 47 C.P.R. 215 (Ex. Ct. 1965).

⁴¹ A process-dependent claim to the substance will not be allowed if the substance is old. *Hoffman-LaRoche v. Commissioner* 1955 S.C.R. 414.

⁴² *Ciba v. Commissioner*, 1959 S.C.R. 378.

⁴³ See *In re Durden* 226 U.S.P.Q. 359 (Fed. Cir. 1985).

of the product of the process;⁴⁴ this is not yet the case in the United States.⁴⁵

4. Methods of Medical Treatment

The patentability of methods of medical treatment has been the subject of controversy. In Canada such methods have been held to be unpatentable, on the reasoning that if a chemically produced medicine is not per se patentable under § 41(1), discussed above, the section could be evaded by claiming a method of using the medicine.⁴⁶ Claims to such methods are allowed in the United States.⁴⁷

B. Date of Invention

The United States and Canada have what has been called an "invention date system," to be contrasted with the "filing date system" adopted in other countries. Under the filing date system, novelty, obviousness, and issues of priority as between rival inventors, are decided with reference to patent application filing dates, and without regard to when the subject matter was actually invented.

On an issue of priority between rival inventors, the U.S. Patent Act provides (with exceptions that need not be discussed) that a date of invention may not be established by reference to activity in a foreign country.⁴⁸ Under the Canadian Act, an inventor may rely upon his activity anywhere.⁴⁹

In the United States it may be necessary to consider an inventor's date of conception, his date of reduction to practice and his diligence or lack of diligence in reducing the invention to practice.⁵⁰ Tortuous "interference" proceedings have been evolved to ascertain who is entitled to a patent.⁵¹ The Canadian approach is simpler. The date of invention is not dependent upon reduction to practice or diligence: it is "the date at which the inventor can prove that he has first formulated, either in writing or verbally, a description which affords the means of making that

⁴⁴ *Fabwerke Hoechst v. Halocarbon*, [1979] 2 S.C.R. 929. A process-dependent product claim may therefore be redundant.

⁴⁵ *Koratron v. Lion Uniform*, 171 U.S.P.Q. 452 (9th Cir. 1971). Efforts are being made in the U.S. Congress to change the law in respect to the patented processes: H.R. 1069 and S.1543 99th Cong., 1st Sess. In Canada it may also be an infringement of an apparatus claim to sell or use the product of the apparatus. Hayhurst, *INDUSTRIAL PROPERTY*, 15 *OTTAWA LAW REVIEW* 38, 112-114 (1983).

⁴⁶ *Tennessee Eastman v. Commissioner*, 1974 S.C.R. 111.

⁴⁷ *Ex parte Scherer*, 103 U.S.P.Q. 107 (Bd. of App. 1954). On this and other topics discussed above, see Hayhurst, *Patenting Life*, 5 *CAN. BUS. L.J.* 19, (1980), and the more recent decision of the New Zealand Court of Appeal in *Wellcome Foundation v. Commissioner*, 1983 N.Z.L.R. 385.

⁴⁸ 35 U.S.C. § 104 (1982). This is a disincentive to the conduct of research outside the U.S.

⁴⁹ Patent Act, R.S.C. ch. P-4 § 28 (1)(a) (1970) which is subject to the provisions of § 63 once a patent has been granted.

⁵⁰ 35 U.S.C. § 102(g)(1982).

⁵¹ 35 U.S.C. § 135 (1982) and the rules thereunder.

which is invented."⁵² This date is ascertained by proceedings which are relatively simple, at least at the Patent Office level.⁵³

In the United States, issues of anticipation and obviousness are considered with reference to prior art⁵⁴ which may not antedate the actual date of invention.⁵⁵ In Canada, issues of anticipation may be considered without reference to the date of invention,⁵⁶ but Canadian courts have been taking the date of invention as the controlling one on issues of obviousness, so that by establishing an early date of invention a patentee may be able to avoid having to contend with art that would be citable on the issue of anticipation.⁵⁷

C. Intervening Rights

Section 58 of the Canadian Patent Act provides that any article, machine, manufacture or composition of matter that has been acquired before a patent issues may be used and sold after the patent issues without liability to the patentee.⁵⁸ This provision is based on U.S. legislation that was repealed many years ago.

Both the United States and the Canadian patent statutes provide for the reissue of a defective or inoperative patent.⁵⁹ When a patent has been reissued, the U.S. statute has express provisions to assist the person whose business may be disrupted because the reissue patent has different claims than the original.⁶⁰ The effect of a Canadian reissue is unclear in such a situation,⁶¹ but I believe that the protection of § 58 is available only in respect of an identical (or perhaps identical in substance) claim appearing in both the original and the reissue patents.

D. Compulsory Licensing

Compulsory licensing of patents has sometimes been ordered in the United States as a remedy for a patentee's abuse of his rights.⁶² But the United States, unlike Canada, has no formal procedure for the grant of compulsory licenses.

⁵² *Christiani v. Rice*, 1930 S.C.R. 443, 456.

⁵³ Patent Act, R.S.C. ch. P-4 § 45 (1970) and the rules thereunder.

⁵⁴ 35 U.S.C. § 102 (1982).

⁵⁵ *In re Foster*, 145 U.S.P.Q. at 166 (C.C.P.A. 1965).

⁵⁶ Patent Act, R.S.C. ch. P-4 §§ 28(1)(6), 28(1)(c)(1970).

⁵⁷ *Xerox v. I.B.M.* 33 C.P.R.2d 24, 86 (1977). *Cf. Hill, The Requirement for Inventive Step*, 6 P.T.I.C. BULL. 306 (1980).

⁵⁸ The applicability of § 58 to processes is not completely settled. Hayhurst, *supra* note 45 at 102-03.

⁵⁹ 35 U.S.C. § 251 (1982); Patent Act R.S.C. ch. P-4 § 50(1) (1970).

⁶⁰ 35 U.S.C. § 252 (1982) which deals expressly with processes and is much better drafted than Canadian § 58.

⁶¹ Patent Act R.S.C. ch. P-4 § 50(s) (1970). *McBurney, Reissue and § 58 of the Patent Act*, 16 P.T.I.C. BULL. 7 (1966).

⁶² *See, e.g., Hartford-Empire v. United States*, 323 U.S. 386 (1945); *Pfizer v. F.T.C.*, 401 F.2d 574 (6th Cir. 1968).

Canada's compulsory licensing provisions were initially copied from corresponding provisions in U.K. legislation.⁶³ Applicable to all Canadian patents are the so-called "abuse" provisions of § 67. Three years after the grant of a patent, a person interested in obtaining a license, on terms not dictated by the patentee, may be able to obtain a license from the Commissioner of Patents if the applicant can show that the patentee has abused his rights in one of the ways set out in the section. The section offers the possibility of obtaining a license to manufacture in Canada where the patentee is not doing so, or where the patentee is not meeting the demand in Canada for a patented article, or where Canadian trade or industry is being prejudiced by, for example, the patentee's imposition of tying conditions.⁶⁴ There have been a few applications for compulsory licenses under § 67, and the threat of such compulsory licensing has induced some patentees to manufacture in Canada.

Of considerably greater interest and importance are Canada's notorious provisions in § 41 for the compulsory licensing of patents for inventions intended for the production of food or medicine. As soon as such a patent has issued, anyone may apply to the Commissioner of Patents for a license. By an amendment made in 1969 the Commissioner is authorized to grant licenses to import medicines. The Commissioner has little or no concern for how the patentee has conducted himself. A license must be granted unless the Commissioner sees good reason to the contrary. It has proved to be extremely difficult for a patentee to defeat an application for such a license. The Commissioner routinely fixes a trivial royalty of 4% of the net selling price of the dosage form of the medicine. In May 1985, a Commission of Inquiry on the Pharmaceutical Industry issued a report (the Eastman report) which recommended payment of more realistic royalties, with the prospect of still better returns to those patentees who spend on research and development in Canada.⁶⁵ There has been no public announcement as to what if anything the Canadian government proposes to do about the recommendations in this report. There is a strong lobby against anything that might cause the prices of medicines to rise.

While on the subject of licensing, it may be noted that in Canada a licensee, whether under a voluntary or a compulsory license, is, while licensed, estopped from challenging the validity of the patent,⁶⁶ the principal exception being where the patentee has given a warranty of validity. In the United States, the rule of licensee estoppel was overturned on public policy grounds by the Supreme Court in the well known case of *Lear*

⁶³ The U.K. Patents and Designs Act 1919, §§ 1 and 11, introduce the new §§ 27 and 38A to the Act of 1907. However, § 27 has since been replaced and § 38A has been repealed.

⁶⁴ There is a theoretical possibility of the granting of an exclusive compulsory license under § 68(b) and the revoking of the patent under § 68(d).

⁶⁵ Available from SUPPLY AND SERVICES CANADA catalogue no. CP32-46/1985E.

⁶⁶ *Pigeon Hole Parking v. Automatic Parking*, 6 C.P.R.2d 71 (C.S. 1972).

v. *Adkins*.⁶⁷

E. Preparation for Trial: Depositions

In a patent infringement action in the United States, it is usual to take, before trial, the oral depositions of numerous persons whose evidence may be useful. In general, in Canada, pretrial examinations are limited to examinations of the parties.⁶⁸ Where a corporation is a party, an officer of the corporation may be examined. He must inform himself as to the relevant knowledge of the corporation, and answer on behalf of the corporation. Pretrial proceedings are therefore, as a rule, much curtailed in Canada as compared to the United States.

F. Construction of Patent Specifications

In patent litigation in the United States, it is accepted that the scope of the claims of the patent will be considered in light of representations and amendments made in the Patent Office before the patent was granted.⁶⁹ A Canadian court is most unlikely to construe, i.e., to ascertain the meaning and scope of, a patent claim by reference to the Patent Office file contents.⁷⁰ In both countries, the correct approach is first to construe the patent specification, including the claims.⁷¹ Issues of validity and infringement should not be considered until a decision has been made on construction.⁷² Canadian courts have recently begun to talk of "purposive" construction. In order to ascertain the purpose of the draftsman, perhaps a court might be induced to look at what was said during the course of prosecution in the Patent Office. I doubt it.⁷³ A Canadian court may take comfort in the fact that the contents of the file support a conclusion that the court has reached independently of the file.⁷⁴ It is possible that a representation made to the Patent Office could

⁶⁷ 395 U.S. 653 (1969). There have been indications that a Canadian appellate court might be prepared to reconsider the rule; *Asturiana v. Canadian Electrolytic Zinc*, 55 C.P.R.2d 131, (Ont. 1979); *Vulcan Equipment v. Coates*, 58 C.P.R.2d 47 (Fed. C.A. 1981).

⁶⁸ See, e.g., Federal Court Rule 465. An assignor may also be examined, but difficulties can arise if the assignor is outside the jurisdiction. Other persons may be examined with leave, or on consent, but this is unusual.

⁶⁹ *Loctite v. Ultraseal*, 228 U.S.P.Q. 90 (Fed. Cir. 1986).

⁷⁰ There is obiter to the contrary in *Eli Lilly v. Marzone*, 37 C.P.R.2d 3, 5 (1977) and *Zelon v. Bonar and Bemis* 39 C.P.R.2d 5, 12 (1978).

⁷¹ *Pravel, Issues of Law and Fact at Appellate Level*, 12 A.I.P.L.A. JOURNAL 321, 323 (1984); *Leithiser v. Pengo*, 12 C.P.R.2d 117, 124 (Fed. Ct.), *aff'd* 17 C.P.R. 2d 110 (Fed. C.A. 1974).

⁷² This theoretical approach is not always apparent in the decided cases. It yields a concentration upon the construction of the words or passages that the parties are fighting over and which further have a bearing on the issues of validity and infringement.

⁷³ *Hayhurst, Industrial Property - The Arrival of Purposive Construction in Patent Law*, 60 CAN. BAR. REV. 485, 489-490 (1982).

⁷⁴ *cf. B.V.D. v. Canadian Celanese*, 1937 S.C.R. 221, 233; *Norand v. Minerals Separation*, 1950 S.C.R. 36, 52, 58.

be relied upon in Canada as an admission against interest.⁷⁵ A comparison of the specification originally filed with that of the issued patent may show that the patentee came out of the Patent Office with claims for a different invention than the one he initially sought to protect,⁷⁶ but this would raise a question of validity, not of construction.

It seems to be common practice in the United States to call expert witnesses to give their opinions on issues of construction, infringement, anticipation, obviousness, etc. The traditional rule in Canada was that an expert may not testify on such "ultimate issues," which have both factual and legal components.⁷⁷ But this traditional rule is now regarded by at least some Canadian judges as outmoded, particularly having regard to the complex technology that is involved in some patent suits.⁷⁸ Of course, in both countries, it is for the court to decide the issues.

G. Patent Infringement

Where, after construing a patent claim, a court finds that an alleged infringer is doing anything specified in the claim, there is no difficulty (in general) in holding that he is an infringer. If the alleged infringer has departed in some way from the language of the claim, as construed by the court, he may be liable under the "doctrine" of equivalents. A U.S. court will not hesitate to look at the proceedings in the Patent Office in assessing the scope of a patent claim under this doctrine,⁷⁹ but it would be unsafe to expect a Canadian court to look at the contents of the Patent Office file for this purpose. Instead, the issue in Canada is likely to be whether, on a purposive construction of the patent specification and claims, the patentee would be understood, by a reader skilled in the art, as having intended to cover "variants" that do not materially affect how the invention works.⁸⁰ If so, and if the defendant has such a variant, he infringes. U.S. courts speak not of variants but of "equivalents," namely, things that perform substantially the same function in substantially the

⁷⁵ *Furr v. C.D. Truline*, 1985 F.S.R. 553, 563 (U.K. Patents Ct.); *Foseco v. Bimac*, 51 C.P.R.2d 51, 55 (Fed. Ct. 1981).

⁷⁶ *Dennison v. Dymo*, 23 C.P.R.2d 155, 162-63, (Fed. Ct. 1975); *Martin v. Scribal*, 1956 R.P.C. 215 (P.C. Australia); Hayhurst, *Patents; Therm-a-Stor Ltd. v. Weatherseal Windows Ltd.* (No.2) 1 I.P.J. 157 (1985).

⁷⁷ *Northern Electric v. Photo Sound*, 1936 S.C.R. 649, 675-678; *Western Electric v. Baldwin*, 1934 S.C.R. 570, 572-3, 592-3.

⁷⁸ The leading exponent for entertaining such evidence has been Judge Collier in *Xerox v. I.B.M.*, 33 C.P.R.2d at 32-37. See also, *Beloit v. Valmet Oy* (Feb. 10, 1986). For a discussion of the role of an expert witness in an infringement action, see Hayhurst, *Catnic v. Hill, a Commentary*, 5 C.I.P.A. 191 (1983).

⁷⁹ *Loctite v. Ultraseal*, 228 U.S.P.Q. 90 (Fed. Cir. 1986).

⁸⁰ *Catnic v. Hill*, 1982 R.P.C. 183, 243 (H.L.). That case will probably be followed in Canada: see, e.g., *Johnson v. Varta*, 80 C.P.R.2d 1, 33 (Fed. C.A. 1984). But if it is followed, there will be a departure from an earlier (and, it is submitted, erroneous) view that what is essential is a question of fact: Hayhurst, *McPhar v. Sharpe: A Post Mortem*, 1967 P.T.I.C. BULL. 66.

same way to give substantially the same result.⁸¹ These different terms, "variant" and "equivalent," probably mean much the same thing but unfortunately have not been defined by the courts in the same language.

If an alleged infringer is clearly not doing everything called for by a patent claim, he may still be found liable to be patentee if he induces or contributes to an infringement by another (the "direct" infringer). Section 271 of the U.S. Patent Act has codified the judicially developed "doctrines" of inducing infringement and contributory infringement as follows:

(a) Whoever actively induces infringement of a patent shall be liable as an infringer.

(b) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

The development of comparable causes of action has been slow in Canada, but there has been a trend to expanding the rights of patentees beyond cases where the defendant is a "direct" infringer. In *Procter & Gamble v. Bristol-Myers* it was said that there can be infringement:

. . . where some sort of continuing a systematic business arrangement exists between the vendor and the infringing purchaser . . . or where there has been not only a sale but also an invitation or request by the defendant to the purchaser of the article, to use it in order to infringe the plaintiff's patent.⁸²

Bristol-Myers sold small towel-like fabric conditioners to retailers, in packages having instructions as to their use. Bristol-Myers were held to be a party to the use of the conditioners by the customers of the retailers, and thereby to be infringing claims which were drawn to the method of use.⁸³ Bristol-Myers knew of the existence of the Procter & Gamble patent.

In *Windsurfing v. Tritantic*⁸⁴ the patent was for the popular sailboard. It claimed an assembly of components each of which was individually sold. The defendant supplied all the components but the components as sold were not assembled so as to coact in the manner recited in the claims of the patent. The only known use for the defendant's kit of components was to assemble the kit to make the patented combination. Selling the kit was held to be an inducement to infringe and the defendant "thereby became a party to the infringement." It was not necessary

⁸¹ *Loctite v. Ultraseal*, 228 U.S.P.Q. 90 (Fed. Cir. 1986).

⁸² *Procter & Gamble v. Bristol-Meyers*, 39 C.P.R. 2d 145, 166 (Fed. Ct. 1979).

⁸³ *Id.* at 167.

⁸⁴ *Windsurfing v. Tritantic* (Fed. C.A. Dec. 20, 1985).

to prove that the persons who assembled the components knew of the patent, or were persuaded to infringe, or were innocently duped into infringement. The defendant knew of the plaintiff's patent, but the Court did not say whether such knowledge was necessary.

The situations where plaintiffs have succeeded in Canada, so far, have been similar to situations dealt with in U.S. Patent Act § 271(b).⁸⁵ We do not yet have a Canadian case where a patentee has succeeded against an alleged contributory infringer who was not actively inducing infringement by others but whose activities would fall within U.S. Patent Act § 271(c). If, as they are inclined to do, Canadian courts look to decisions in England, it is doubtful that they will find infringement in the absence of what the judge considers to be active inducement to infringe, or participation in the infringement.⁸⁶

H. Influence of Foreign Case Law

There has not been much reference to U.S. authorities in Canadian court decisions, even where Canadian statutory language has been copied from U.S. statutes.⁸⁷ There are at least two reasons for this. One is the long engrained Canadian habit, both in legal writings and in court decisions, of referring almost exclusively to decisions in the British Commonwealth. Another has been some wariness that U.S. authorities may be conflicting. In patent matters, perhaps the advent of the Court of Appeals for the Federal Circuit will, in time, lead to greater reference to U.S. decisions, as that Court becomes better known to our judges as a unifying source of U.S. judicial doctrine, and as U.K. judges are increasingly required to look to developments in the European Economic Community.

It is a rarity nowadays to find a foreign decision cited by a U.S. court. There is such a wealth of U.S. decisional law that resort to other sources would usually be superfluous. It is nevertheless unfortunate that U.S. and Commonwealth judges tend to work in relative isolation from one another.

VI. TRADE MARKS

Unlike other Canadian intellectual property legislation, Canadian

⁸⁵ Procter & Gamble, 39 C.P.R.2d at 145; Windsurfing (Fed. C.A. Dec. 20, 1985); Copeland-Chatterton v. Hatton, 10 Ex. C.R. 224 (1906), aff'd. 37 S.C.R. 65; Reeves v. Toronto Quilting, 43 C.P.R.2d 145 (Fed. Ct. 1978); Cooper & Beatty v. Alpha Graphics, 49 C.P.R.2d 145 (Fed. Ct. 1980).

⁸⁶ J. Osborne, *Contributory Infringement*, 24 C.P.R. 75 (1951). See also, Saunders v. Airglide, 50 C.P.R.2d 6 (Fed. Ct. 1980). Indeed, a recent decision of the English Court of Appeal in a copy-right case, but citing decisions in patent cases, could lead Canadian judges to take a more conservative view than has been suggested above. See *Amstrad v. BPI* [1986] 1 E.I.P.R. 19.

⁸⁷ It has been noted earlier that the Canadian Patent Appeal Board has considered U.S. decisions on questions of patentable subject matter. Canadian courts are now regularly referring to U.S. decisions in cases relating to the recently enacted Canadian Charter of Rights and Freedoms in the Constitution Act, 1982, Part 1.

trade mark legislation has not been substantially copied from U.S. or U.K. sources. The present Canadian Trade Marks Act⁸⁸ came into force on July 1, 1954. It was the work product of an eminent committee, consisting of representatives of the private sector and of government. It borrowed ideas from both the U.S. (e.g. in providing for registration of service marks and in defining what marks are registrable) and from the U.K. (e.g. in providing for the assignment and licensing of trade marks), but there was little slavish copying of U.S. or U.K. statutory language. The Canadian statute has borne the test of time reasonably well. Experience has revealed a few significant flaws. The federal government has had an on again, off again attitude towards updating the Act. At present, there appears to be minimal activity in that direction.

In the United States trade marks may be registered federally under the Lanham Act of 1946.⁸⁹ Trade mark registrations may also be obtained in the individual states, but I shall say nothing about state registrations; there are no trade mark registration statutes in any of the Canadian provinces.

The U.S. federal register is divided into two parts, the Principal and the Supplemental Registers. Canada has only one register, and for a mark to be registrable it must satisfy relatively stiff criteria similar to those required for registration on the U.S. Principal Register.

Trade mark law is by no means entirely statutory. Canadians and Americans have a large body of common law from which to draw, in addition to relying upon any rights that may flow from trade mark registrations. The terminology used in the two countries is not always consistent. In Canada, as in other parts of the British Commonwealth, we use the term "passing off" to refer to any case where the defendant is acting in a way that is likely to confuse customers as to the origin or quality of his goods, services or business. I understand that in the United States the term "passing off" is often understood to refer only to cases of substitution or "palming off," i.e. supplying goods or services other than those which a customer has requested. This is regarded in Canada as a particular case of passing off. What we call passing off Americans may call "unfair competition." However, the latter term may signify activities that are not confined to misrepresentations as to source or quality, and that therefore go beyond our notions of passing off. I shall make no effort to discuss situations where the common law in the United States has developed beyond its Canadian counterpart. Broadly speaking what we would call passing off is also actionable in the United States.

Further as to terminology, Canadians spell "trade mark" as two words, whereas Americans make a single word of it. Americans use the term "service mark" for marks used for services; we use the term "trade

⁸⁸ R.S.C. ch. T-10 (1970).

⁸⁹ 15 U.S.C. § 1051 (1982).

mark” in respect of both goods and services. Our statute uses the quaint word “wares” instead of “goods.”

A. Trade Mark Use Requirements

Turning to the federal trade mark registration statutes of our countries, both have important requirements that a mark be “used” if the benefits of the statutes are to be enjoyed.

1. Definition of “use”

What constitutes use in the statutory sense is essentially the same in both countries. In relation to goods, the mark, to be used, must be in close proximity to the goods — on the goods themselves, or on packages for the goods, or on tags or labels affixed to them, or on displays associated with the goods.⁹⁰ To show a mark in an advertisement of the goods is not to use the mark. But a mark may be “used” in relation to services if the mark is displayed where the services are performed or in advertising the services.⁹¹

With an exception to be noted below, an applicant who seeks to register his mark under the Lanham Act must have used the mark “in commerce,” i.e. in interstate commerce or in commerce between the United States and another country. Under the Canadian Act there is no such “commerce” requirement; use anywhere in Canada will suffice.⁹²

2. Use before application or registration

The Paris Convention for the Protection of Industrial Property⁹³ has been regarded as requiring the United States and Canada (which, with other countries, are “countries of the Union”) to modify their normal use requirements in favour of foreigners who qualify under the Convention. Article 4 of the Convention provides that any person who has duly filed an application for the registration of a trade mark in one of the countries of the Union shall enjoy a right to file in any other country of the Union within six months without being adversely affected by any intervening act of another.⁹⁴ An English company may have filed an application on April 1, 1986 in the U.K. to register a mark that has not been put into use anywhere, use before filing not being required under U.K.

⁹⁰ Lanham Act, 15 U.S.C. § 1127 (1982); Canadian Trade Marks Act R.S.C. ch. T-10 § 4(1) (1970).

⁹¹ Lanham Act, 15 U.S.C. § 1127 (1982); Canadian Trade Marks Act R.S.C. ch. T-10 § 4(2) (1970).

⁹² The “in commerce” requirement in the United States is imposed for constitutional reasons. It is arguable that a similar requirement should be made in Canada, but the point has not been decided. In both countries the use must be a bona fide trading use, expressed in § 4(1) of the Canadian Act as use “in the normal course of trade.”

⁹³ See *supra*, note 1.

⁹⁴ Article 4 makes a similar six month provision for industrial design applications, and a twelve month provision for patent applications.

law. Under the Paris Convention, the U.K. company should be entitled to have a corresponding U.S. or Canadian application treated as if filed on April 1, 1986 provided the latter applications are filed by October 1, 1986. For the latter applications the U.K. company may claim the "Convention priority" of April 1, 1986. Section 44(d) of the Lanham Act⁹⁵ implements this Convention priority obligation, and in the recent Crocker National Bank case it has been held that the applicant who is able to rely on § 44(d) to obtain the benefit of a foreign filing date need not have used his mark anywhere.⁹⁶ Canada has purported to implement its priority obligation in § 33, but if the applicant cannot assert that the mark has been used in some country⁹⁷ the Canadian Act requires the applicant to assert that he intends to use the mark in Canada⁹⁸ and in that event must file a declaration that use has been commenced in Canada before registration will be granted.⁹⁹

Article 6 quinquies of the Paris Convention provides that every trade mark duly registered in the applicant's country of origin shall be accepted for filing and protected in other countries, subject to certain reservations which do not include the right of the other countries to insist upon use before they will register the mark. The Lanham Act implements this Convention obligation in § 44(e)¹⁰⁰ and if the Crocker National Bank case¹⁰¹ was correctly decided, a foreigner (e.g. a U.K. company) who has obtained a registration at home without the necessity of having used his mark anywhere is entitled to the benefit of § 44(e) without having used the mark anywhere. By contrast, the Canadian Act insists that there must have been use somewhere before a Canadian registration will be granted.¹⁰²

Apart from any of the foregoing, one may file in Canada based on proposed use of the mark in Canada,¹⁰³ or based on use in another country of the Union and making the mark well known in Canada.¹⁰⁴ These possibilities do not exist under the Lanham Act.

⁹⁵ 15 U.S.C. § 1126 (1982).

⁹⁶ Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 U.S.P.Q. 909 (T.T.A.B. 1984) A higher tribunal may take a different view.

⁹⁷ § 29(b)(c)(d).

⁹⁸ § 29(e). He may also rely upon proposed use by a licensee for whom a registered user application is filed; trademark licensing is discussed below.

⁹⁹ § 39 (2).

¹⁰⁰ 15 U.S.C. § 126 (1982).

¹⁰¹ Crocker National Bank, 223 U.S.P.Q. at 96.

¹⁰² §§ 29(b)(c)(d) and 39(2). Registration may be obtained in Canada based on use in the United States and registration on the Principal, but not the supplemental, Register. The Canadian requirement that an application based on a foreign application or registration must be supported by use may violate Canada's Convention obligations, but the Convention is not part of Canada's domestic law.

¹⁰³ § 29 (e), but as noted above use in Canada must begin before registration will be granted.

¹⁰⁴ §§ 5 and 29(c).

3. Use after registration

If a trade mark has been abandoned, provision is made in both the United States and Canada for cancelling the registration of an abandoned mark.¹⁰⁵

Additionally, a U.S. registration will be cancelled at the end of six years after the date of the registration unless, within one year next preceding the expiration of six years, the registrant files with the Commissioner of Patents and Trademarks an affidavit showing that the mark is in use in commerce, or showing that its nonuse is due to special circumstances which excuse the nonuse and is not due to any intention to abandon the mark.¹⁰⁶ There is no such routine need to file evidence of use of a mark registered in Canada, but § 44 of the Canadian Act has provisions which are frequently invoked, and may be invoked by anyone without showing that he is interested in or aggrieved by a Canadian registration. Section 44 provides that after three years from the date of a registration the Registrar of Trade Marks may be requested to give notice to the registered owner requiring the owner to furnish evidence showing whether the mark is in use in Canada for each of the goods and services specified in the registration and, if not, the date when it was last so in use and the reason for the absence of use since then. The Registrar may cancel the registration, or cancel some of the goods or services from it, if use in Canada is now shown as of the time the notice was sent and if special circumstances are not shown to excuse the nonuse. Invoking § 44 frequently results in the cancellation of marks in which registrants are no longer interested.

A United States registration must be renewed every twenty years, and at the time of renewal it is necessary to file evidence similar to the evidence that was required by the end of the sixth year.¹⁰⁷ If satisfactory evidence is not filed the registration will not be renewed. A Canadian registration must be renewed every fifteen years, but no evidence of use is required in order to renew.¹⁰⁸

B. Trade Mark Licenses

Section 5 of the Lanham Act¹⁰⁹ provides:

Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall enure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public.

¹⁰⁵ Lanham Act 15 U.S.C. § 1064 (1982); Trade Marks Act R.S.C. ch. T-10 § 18 (1970); In the United States, two years of nonuse is *prima facie* abandonment, 15 U.S.C. § 1127 (1982).

¹⁰⁶ Lanham Act, 15 U.S.C. § 1058 (1982).

¹⁰⁷ *Id.* at 15 U.S.C. § 1059.

¹⁰⁸ R.S.C. ch T-10 § 45 (1970).

¹⁰⁹ 15 U.S.C. +S 1055 (1982).

Section 55¹¹⁰ defines the term “related company” as meaning

any person who legitimately controls or is controlled by the registrant or applicant for registration in respect of the nature and quality of the goods or services in connection with which the mark is used.

These provisions can be relied upon in the United States to defend the validity of a registration where the registered mark has been licensed and the licensee is controlled by the trade mark owner as to the nature and quality of the goods or services for which the licensee uses the mark. The provisions of the Lanham Act apply, in terms, only to a mark that is registered or is sought to be registered, but these provisions are generally accepted in the United States as confirming a common law principle that controlled licensing is permissible.

It can be argued that a similar principle applies in Canada, and there are indications in U.K. decisions that can be cited in support. However, § 49 of the Canadian Trade Marks Act, unlike the Lanham Act, provides a system for registering licensees at the Trade Marks Office as users of trade marks. There is little Canadian authority to suggest that a trade mark owner may safely indulge in licensing outside the registered user system. Under that system, the trade mark owner must have control over the quality of the goods and services for which the licensee is permitted to use the mark. Such permitted use enures to the benefit of the trade mark owner if the licensee has been approved by the Registrar of Trade Marks. If a licensee uses a mark before being so approved (or at least before an application for approval has been filed)¹¹¹ there is a serious risk that the licensee's use will jeopardize the distinctiveness of the mark.

C. Trade Mark Assignments

The United States has preserved the common law rule that an assignment of a trade mark is not effective unless accompanied by a transfer of the associated business goodwill. However, that rule does not seem to be applied in the United States with the strictness of English cases (once accepted in Canada), indicating that, for example, the goodwill of the vending department of a business in England cannot be severed from the goodwill of the manufacturing department in France,¹¹² and that the goodwill of a cigarette business cannot be split up among different brands of cigarette.¹¹³

¹¹⁰ *Id.* § 1127.

¹¹¹ Such relaxation of the apparent rigour of the Act is supported in recent decisions of the Trial Division of the Federal Court, namely, *Motel 6 v. No. 6 Motel*, 56 C.P.R. 2d 44 (1981), *Imperial Developments v. Imperial Oil*, 79 C.P.R.2d 12 25-26; *Molson v. Registrar* 1 C.R.R.3d 494, 503-504 (1985).

¹¹² *Lacteosote v. Alberman*, 34 R.P.C. 211 (Ch.D. 1917).

¹¹³ *Re John Sinclair's Trade Mark*, 49 R.P.C. 123 (C.A. 1932).

In 1954 the position in Canada was changed by § 47 of the Trade Marks Act which provides:

- (1) A trade mark, whether registered or unregistered, is transferable, and deemed always to have been transferable, either in connection with or separately from the goodwill of the business and in respect of either all or some of the wares or services in association with which it has been used.
- (2) Nothing in subsection (1) prevents a trade mark from being held not to be distinctive if as a result of a transfer thereof there subsisted rights in two or more persons to the use of confusing trade marks and such rights were exercised by such persons.

This freedom of assignment has not worked out as well as its draftsmen may have intended. In the leading case of *Breck's v. Magder*¹¹⁴ the trade mark MEPPS, used for fishing lures, had been assigned to a Canadian distributor, Breck's, from the French company with which the mark had long been associated. Although under § 47 the assignment was effective, the mark was held not to be distinctive of Breck's lures, because the public still associated the mark with lures of French origin. The registration of the mark was ordered to be expunged for lack of distinctiveness of the mark in the hands of the assignee Breck's. A different result would probably have been reached had the Canadian public been educated to think of Breck's as the origin of the goods.

The Canadian Trade Marks Act says nothing about the assignment or licensing of trade names, i.e. of the names under which businesses are carried on. To the extent that trade names are not used as trade marks they are governed by the old common law principles.

D. Trade Mark Infringement

A trader who does business in only a limited area within Canada may establish a goodwill within and perhaps beyond that area,¹¹⁵ and thereby acquire, within the territory to which his goodwill extends, the right to restrain the use by another of a mark that is likely to give rise to confusion of customers. This right may be asserted in a passing off action, leading to the grant of an injunction and other relief. The injunction may not be an unqualified prohibition against use of the offending mark, but may leave it open to the defendant to continue to use the mark provided he does so in a way that will avoid confusion or deception of customers. An injunction in a common law action may therefore be limited as to the territorial area to which it applies, and may not absolutely forbid use of the mark in question in relation to the goods or services for which it has been used.

¹¹⁴ *Breck's v. Magder* [1976] 1 S.C.R. 527.

¹¹⁵ Goodwill may extend substantially beyond one's actual trading area, especially having regard to the modern mobility of customers: *Chelsea Man v. Chelsea Girl* 1985 F.S.R. 567 (Ch.D. 1917).

If, however, the plaintiff has registered his mark under the Canadian Trade Marks Act, he acquires an exclusive right to use the mark. The exclusive right extends throughout the whole of Canada (with only a few exceptions)¹¹⁶ despite the fact that the plaintiff may have used the mark in only part of the country and has not acquired goodwill beyond that part of the country. Furthermore, his exclusive Canada-wide right will be infringed not only by unauthorized use of his mark for the goods and services for which it is registered but also by use of a "confusing" mark.¹¹⁷ A "confusing" mark may be the same or a different mark, used for the same or different goods or services, provided its use is likely to cause customers to think that the goods or services were made, sold, leased, hired or performed by the same (possibly anonymous) person who owns the registered mark.¹¹⁸ Thus, the registered owner of a mark, who has used a mark in only part of Canada, and whose mark may be unknown in other parts of Canada, should be able to stop the use of the same or a confusing mark anywhere in Canada.¹¹⁹ If the mark used by the defendant, taken as a whole, is "confusing" as described above (i.e., it may differ from the registered mark and may be used for goods or services not specified in the registration), its use by the defendant may be enjoined despite the fact that, by other indicia or messages the defendant make it clear that his goods or services are not those of the plaintiff, i.e., despite the fact that he is not violating any common law rights of the plaintiff. Furthermore, the manner in which the plaintiff actually uses his mark is not controlling on the issue of whether the marks are confusing. He may actually use the mark for goods that are relatively expensive, he may trade through only certain outlets, he may use the mark in company with other indicia, and in only a specific style, but the court should consider, in addition, all the normal and fair ways that he may use his mark, with the scope of his exclusive right, in determining whether there is a likelihood of confusion with the defendant's mark as applied to the defendant's goods or services.¹²⁰ How the plaintiff actually uses his mark may be relevant in considering the extent to which the mark would be recognized or remembered as a trade mark (a factor bearing on likelihood of confusion) and in considering the validity of the registration. But the marks to be compared are the mark used by the defendant and the plaintiff's mark as registered, in relation to everything

¹¹⁶ The Canadian Trade Marks Act, § 29 confers the exclusive Canada-wide right subject to possible Canada-wide right subject to possible concurrent rights under §§ 21 and 67, and to a possible territorial restriction under § 31 where, to obtain registration, it was necessary to show that a prima facie unregistrable mark had acquired trademark significance.

¹¹⁷ § 20, which, however, permits certain bona fide uses of personal names, geographical names, and accurate descriptions. For further discussions see Hayhurst, *Unauthorized Use of Another's Mark in Canada: Fair Use or Actionable?*, 75 T.M.R. 1 (1985).

¹¹⁸ § 6.

¹¹⁹ Exceptions to this general rule are discussed by Hayhurst, *supra* note 117.

¹²⁰ For further discussion and comparison with the position in the United States, see Hayhurst, *supra* note 45, at 359-368.

for which the plaintiff's mark is registered, for it is the registration which confers the exclusive right.¹²¹ Because conditions present in the marketplace are not controlling, the results of well conducted public opinion surveys may be misleading in relation to a claim for infringement of the rights conferred by a Canadian trade mark registration.

By contrast, in the United States the rights conferred by a federal trade mark registration are regarded as being largely confirmatory of common law rights. The owner of the registration must show that the alleged infringer's use is "likely to cause confusion, or to cause mistake, or to deceive."¹²² Though the plaintiff is relying upon his registered mark, consideration will be given to the way he actually uses it—to additional indicia, labelling, get-up, advertising, trade channels, etc.—and consideration will similarly be given to the way the defendant actually uses the allegedly infringing mark.¹²³ As to territorial extent, though the federal U.S. registration may have no territorial limitation it may not be enforceable against someone trading in an area which the registered owner has not entered.¹²⁴ Registration under the Lanham Act confers advantages not available to a plaintiff in a common law action,¹²⁵ but as the foregoing brief outline shows, more extensive rights are conferred by a Canadian registration. There is, indeed, some U.S. authority holding that the rights of a registered owner do not extend to goods or services that are not specified in the registration;¹²⁶ if this view, a minority one at present, were to prevail, the scope of rights conferred by a Lanham Act registration would to this extent be more limited than at common law.

E. Importation: The Problem of "Grey" Goods

The trade mark CORKER may be applied to widgets in country X by someone who is entitled to use the mark in that country. Another person may be using the trade mark CORKER for widgets in the U.S. or in Canada, and may wish to prevent the importation of CORKER widgets from country X, asserting that his local U.S. or Canadian rights to the mark entitled him to object to such imports of goods, though the goods were properly marked at their source. Such imported goods are

¹²¹ The principles discussed in the text have not arisen for discussion in many Canadian cases. Indeed, in cases dealing with registered trademarks, it is common to find indiscriminate citation of cases concerned with passing it off. Often it does not matter: the defendant may be liable, or not liable, on either process of reasoning. The end result in most cases seems to be about right.

¹²² Lanham Act, 15 U.S.C. § 1114 (1) (1982).

¹²³ See, e.g., *Henri's v. Kraft*, 220 U.S.P.Q. 386 (7th Cir. 1983).

¹²⁴ For a discussion of the variety of cases than can arise see Alexander and Coil, *Geographic Rights in Trademarks and Service Marks*, 66 T.M.R. 101 (1978).

¹²⁵ Advantages obtained under a U.S. registration on the Principal Registrar are discussed in J. GILSON, *TRADEMARK PROTECTION AND PRACTICE*.

¹²⁶ *Natural Footwear v. Hart, Schaffner & Marx*, 30 P.T.C.J. 47 (3rd Cir. 1985). cf *American Automobile Association v. AAA Insurance Agency*, 228 U.S.P.Q. 162 (W.D. Tex.); J. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION*, (2d 1984).

not counterfeit;¹²⁷ they are called "grey" goods. The local person may himself be an importer claiming an exclusive right to sell CORKER widgets locally, and objecting to "parallel" importation by others of grey goods. The local person may have devoted substantial resources to building up a local goodwill in association with the mark, only to find that, once this has been established, others get a free ride on his investment by importing CORKER widgets, which may have been made in a country with low wage rates, and may be of inferior quality. The public may expect him to be responsible for services, warranties, and refunds.

If the imported CORKER widgets come from a foreign source which had adopted the mark entirely independently of the local owner, the latter should be able to enforce his trade mark rights in the same way as he could against any infringement. If the local trade mark owner has a federal registration he may rely upon that; otherwise he may rely upon his common law rights and, in the United States, on any further protection that may be accorded under state legislation.

The serious problem for the local trade mark owner is not likely to arise where the imported goods come from a source that is in no way connected with him, but rather where there is a connection between the local owner and the foreign source. I believe that the principles applicable in Canada are reasonably clear.¹²⁸ If the plaintiff is relying upon common law rights, it is fundamental to his case that he prove that importation and sale of goods involves an express or implied misrepresentation, for example, as to source, connection, quality, or available warranty, and that as a result his goodwill is likely to be damaged. His remedies will ordinarily be limited to an injunction preventing the continuance of such misrepresentation, and an award of monetary relief in respect of the period when the misrepresentation was made. But if the plaintiff is relying upon a validly registered Canadian trade mark, his rights are substantially more extensive because of the exclusive right which a Canadian registration confers.¹²⁹ The fact that the plaintiff is related in some way to the foreign source should not diminish that exclusivity,¹³⁰ unless the foreign source is a licensee of the plaintiff, or is the plaintiff himself.

¹²⁷ In addition to the usual civil remedies available in respect of counterfeit goods, criminal penalties may be imposed under the U.S. Trademark Counterfeiting Act of 1984, 18 U.S.C. § 2320 or under the Canadian Criminal Code R.S.C. ch. C-34, §§ 334, 364-372 (1970).

¹²⁸ For a more complete discussion see Hayhurst, *Importation of Grey Goods into Canada*, 2 I.P.J. 23 (1985).

¹²⁹ See discussion, *supra* notes 115, 116.

¹³⁰ Problems may arise with the validity of the Canadian trademark registration. A condition of valid registration is that the mark be distinctive, i.e., that it distinguish the goods of the registered owner from those of others. If the mark is shown to signify a source different from the registered owner (as in *Brecks v. Magder*, [1976], S.C.R.) or if it is associated with a group of which the owner is only a member (as in *Moore v. U.S. National Resources*, 30 C.P.R.2d 40 (Fed. C.A. 1977)) the registration will be held invalid. See Hayhurst, *The Vulnerability of Trademarks Associated in Canada with More Than One Source*, 67 T.M.R. 169 (1977).

Section 52 of the Canadian Trade Marks Act provides that a court may make an order prohibiting the importation of goods to which have been applied any registered trade mark or trade name or indication of origin, where distribution of such goods in Canada would be unlawful, and the court may make an order for interim custody of the goods pending a final decision whether to prohibit importation. The Canadian Customs authorities are supposed to try to enforce such orders.¹³¹ A few orders have been made under § 52, and it has been possible to obtain orders in respect of goods that come from the same foreign source as those sold by the importing owner of the Canadian registration.¹³² However, in *Adidas v. Kinney Shoes*¹³³ reservations were expressed by the judge about granting an order effective against persons who were not parties to the proceedings. As a result, it may be difficult to obtain an order in respect of all goods found by Customs to have the offending mark, name or indication.

Turning to the United States, the Lanham Act provides, in § 42, that the owner of a federally registered trade mark may provide the Customs officers with particulars of his mark, and Customs officers should then prohibit entry of goods which "copy or simulate" the mark.¹³⁴ The subsequently enacted § 526 of the Tariff Act¹³⁵ may also be invoked to prohibit importation, without the written consent of the trade mark owner, of goods displaying a federal registered mark that has been filed with U.S. Customs. These provisions have not been considered by Customs to apply where the owner of the U.S. registration owns a corresponding foreign registration under which the goods were marked, or where the goods were marked with the authorization of the owner of the U.S. registration, or where the foreign and local sources are under common ownership or control.¹³⁶ But recent cases indicate that this interpretation of §§ 526 and 42 by U.S. Customs is not controlling.¹³⁷

Rather than relying solely upon recording his mark with U.S. Customs under the foregoing provisions, a trade mark owner may also bring

¹³¹ Customs Tariff Act R.S.C. ch. C-41 § 14 (1970) and Schedule C., tariff item 99269-1(b). Articles 9 and 10 of the Paris Convention require member countries to provide for seizure of goods unlawfully bearing a trade mark of trade name or indication of source.

¹³² *Remington Rand v. Transworld*, 32 C.P.R. 99 (Ex. Ct. 1960).

¹³³ 2 C.P.R.2d 277 (Ex. Ct. 1971), a case involving the correction of a consent order.

¹³⁴ The same may be done in respect of the name of a manufacturer, and in respect of names or marks indicative of a place of manufacture.

¹³⁵ 19 U.S.C. § 1526 (1982).

¹³⁶ 19 C.F.R. § 133.21. For further discussion, including reference to measures that an importer may take to avoid deception, see Horwitz, *The Importation of Genuine Goods into the United States*, 10 E.I.P.R. 286 (1981), and Greeley, *The United States Customs Service and Protection of Intellectual Property Rights*, 83 PAT. & T.M. REV. 5 (1985).

¹³⁷ *Vivitar v. U.S.*, 225 U.S.P.Q. 990 (Fed. Cir. 1985) *Re* Certain Alkaline Batteries (Duracell), 225 U.S.P.Q. 823, 833 (I.T.C., 1984), disapproved by the U.S. President, 225 U.S.P.Q. 862, involving the activities of a notorious Canadian grey marketer and part-time dentist, Dr. Mark Nussbaum, and his family company Content-Wide Enterprises Ltd.; *Osawa v. B. & H. Photo* 223 U.S.P.Q. 124 (S.D.N.Y. 1984).

proceedings in a U.S. court of competent jurisdiction to enforce his statutory or common law rights. Additionally, he may commence proceedings before the International Trade Commission (ITC). The ITC has jurisdiction under § 337 of the Tariff Act¹³⁸ to enjoin unfair methods of competition and unfair acts in importing goods into the United States or in selling such imported goods where the tendency is substantially to injure or destroy an efficiently and economically operated industry in the United States. The ITC may order Customs to exclude such goods, but, unlike an order made by a court in litigation *inter partes*, the ITC may make an order in rem, affecting not merely the person against whom the proceedings were brought. The general jurisdiction of the ITC to prevent unfair acts or unfair methods of competition may be invoked for violations of the rights of owners of any kind of intellectual property. The proceedings are relatively expeditious.¹³⁹ Whether success will be achieved depends, of course, on the facts of the individual case, but it seems that the existence of a relationship between a U.S. trade mark owner and a foreign user of the mark is not necessarily an answer to an action in the ITC.¹⁴⁰

U.S. law on grey marketing seems to be in a state of flux as to the applicability of two principles that are not always reconcilable, that of exhaustion of control over trade marked goods once they have been sold, and that of territorial control over what may enter. It will always be important to show what the public understands by the mark, and a likelihood of confusion, mistake or deception. It seems that the equities in a particular case may play a role, as may principles of antitrust.¹⁴¹ State laws may also have special provisions relating to the sale of grey goods.¹⁴²

VII. COPYRIGHT

The present Canadian Copyright Act¹⁴³ came in force, in essentially its present form, on January 1, 1924. It was based primarily on the old U.K. Copyright Act of 1911.¹⁴⁴ Like the old U.K. statute, the Canadian Act provides, in § 45, that copyright is purely a statutory right.¹⁴⁵ This

¹³⁸ 19 U.S.C. § 1377 (1982).

¹³⁹ For a further discussion see D.I. Wilson, *Litigating Intellectual Property Cases and the International Trade Commission*. THE MERCHANDISING REPORTER, Nov. 1983, p.12. Pending legislation H.R. 3776 and S.1647 would strengthen § 337: 31 P.T.C.J.

¹⁴⁰ The Duracell case, 225 U.S.P.Q. at note 137.

¹⁴¹ Horwitz, *supra* note 136.

¹⁴² *E.g.*, New York Legislation L. 1985, ch. 496 requires retailers to inform consumers that grey goods may not carry a warranty valid in the U.S., nor be eligible for a manufacturer's rebate, nor have instructions in the English Language.

¹⁴³ R.S.C. ch. C-30 (1970).

¹⁴⁴ 1 & 2 GEO. 5, ch. 46.

¹⁴⁵ However nonstatutory defenses to copyright infringement actions have been recognized, *e.g.*, publication in the public interest, *Lion Laboratories v. Evans*, [1948] 2 All E.R. 417 (C.A.), and reproduction of copyright spare parts, *British Leyland v. Armstrong*, (H.L. February 27, 1986).

has also been the case in the United States since January 1, 1978, the thoroughly revised U.S. Copyright Act providing that rights in both unpublished and published works are governed exclusively by that Act.¹⁴⁶

Canadian copyright laws have been the subject of extensive study by the Canadian government during the last several years. In October, 1985 a report on copyright laws revision was released by a Sub-committee of the House of Commons Standing Committee on Communications and Culture (hereinafter referred to as the Committee Report).¹⁴⁷ The Committee Report comes out strongly in favor of comprehensive protection for creators of original works. Judging by a response issued on behalf of the Canadian government in February, 1986, the Committee Report has been favorably received, and a government bill to revise and update Canadian copyright law is expected some time this year. Some of the important recommendations made in the Committee Report will be mentioned below. However, there is no assurance that all these recommendations will ultimately become law, having regard to the persistent opposition that has been and will be exerted by important groups which are opposed to paying for their use of copyright works.

A. Formalities

As a signatory to the Berne Copyright Convention,¹⁴⁸ which the U.S. has not joined, Canada cannot and does not require the performance of any formality for an author to enjoy the benefit of Canadian copyright legislation. Since 1924 U.S. citizens have been entitled to copyright under the Canadian Act.¹⁴⁹ Thus, citizens of both the U.S. and Canada have copyright in Canada automatically in their original literary, dramatic, musical or artistic works, and in mechanically produced sound recordings, photographs and cinematographs. For full protection in Canada there is no need for registration of copyright, nor for deposit of copies of the work,¹⁵⁰ nor for notice of copyright to appear on copies, nor for the work to be manufactured in Canada. Canada has a Copyright Office where registration of copyright is possible but optional. Registration confers the benefit of presumptions that copyright subsists in the registered work, and that the person who registered it is the copyright owner.¹⁵¹ The Canadian Committee Report recommends that this voluntary registration system be retained, but that more information should be provided to the Copyright Office so as to facilitate identification of the

¹⁴⁶ 17 U.S.C. § 301(a) (1982). But the right of free speech may prevail: M.B. NIMMER, NIMMER ON COPYRIGHT.

¹⁴⁷ SUPPLY AND SERVICES CANADA, catalogue no. XC 31-331/2-01.

¹⁴⁸ Canada has adhered to the Rome revision of 1928.

¹⁴⁹ 57 Canada Gazette 2157 (1923).

¹⁵⁰ The National Library Act, R.S.C. ch. N.11 (1970) requires copies of certain works to be deposited with the National Library, but failure to comply should not affect the copyright: *Queen v. Maritime Law Book*, 60 C.P.R.2d 43, (Fed. Ct., Trial D. 1982).

¹⁵¹ Canadian Copyright Act, R.S.C. ch. C-30 § 3 (1970).

work and to support the claim of the applicant to be the copyright owner.¹⁵²

Unlike the Canadian Act, the United States Copyright Act does make certain formal requirements. It requires that a copyright notice be provided on published copies,¹⁵³ that certain literary works in the English language be manufactured in the United States or in Canada,¹⁵⁴ that the copyright be registered if infringers are to be proceeded against,¹⁵⁵ and that copies of the work be deposited with the Copyright Office.¹⁵⁶ Consideration is being given in the United States to adhering to the Berne Copyright Convention, but under Berne the enjoyment and exercise of copyright may not be subject to any formality¹⁵⁷ and amendments to the U.S. Act would be needed before the United States could join.¹⁵⁸

Both the United States and Canada are parties to the Universal Copyright Convention (UCC) which provides that any contracting state, which under its domestic law requires as a condition of copyright compliance with formalities of the sort required by the U.S. Act, shall regard its requirements as satisfied (with respect to works first published outside its territory and the author of which is not one of its nationals), if from the time of first publication all the copies of the work published with the authority of the copyright proprietor bear the symbol ©, the name of the proprietor, and the year of first publication placed in such manner and location as to give reasonable notice of the copyright claim.¹⁵⁹ Canadians wanting protection in the United States should therefore take care to use the appropriate copyright notice on their works. They need not abide by the U.S. manufacturing requirement and may therefore have their books produced anywhere. Registration and deposit in the U.S. Copyright Office remains a prerequisite to suing in the U.S. for infringement. But Americans who fail to comply with their domestic requirements of notice, etc., and who thereby do not have copyright at home, will nevertheless have Canadian copyright.¹⁶⁰

One formality that is commonly observed by U.S. publishers is to

¹⁵² *House of Commons Committee Report*, *supra* note 147 recommendations 127-131.

¹⁵³ 17 U.S.C. §§ 401-406 (1982), which excuse the omission of the notice in certain cases.

¹⁵⁴ *Id.* at § 601. This requirement is, at the time of writing, to cease on July 1, 1986, but Congress is considering legislation to continue it, and to exclude Canada as an acceptable place of manufacture: 3 P.T.C.J. 250 (1986).

¹⁵⁵ *Id.* at §§ 408-412 (1982).

¹⁵⁶ 17 U.S.C. § 407.

¹⁵⁷ Article 5(2).

¹⁵⁸ Amendments which are thought to be needed are summarized in 31 P.T.C.J. 265 (1986).

¹⁵⁹ Article III. Curiously, the U.S. Act does not specifically set forth this modification of its usual requirements, though the Act prescribes the same form of notice in § 401. The symbol P should be used for records (phonographs), § 402, but these are not works falling within the U.C.C.

¹⁶⁰ This is in conformity with the principle that, in general, protection in a particular country is independent of protection in one's home country. The U.C.C., Article IV, is less insistent in this respect than the Berne Convention, Article 4(2), and the Paris Convention, Articles 4 bis, 6 and 6 quinquies.

add to the copyright notice mentioned above a legend to the effect that all rights are reserved. An indication of the reservation of rights is called for by Article 3 of the Buenos Aires Convention, to which several countries in the Americas belong, including the United States but not Canada.

B. Copyright Subject Matter

1. Trade Marks

Because of the importance of registering copyright in the United States, and because the U.S. Copyright Office is required to determine whether the requirements of the Copyright Act are met,¹⁶¹ many rulings as to what constitutes copyrightable subject matter are made by that Office. Difficulties may be encountered in that Office in registering artistic trade marks, and in any event trade marks are usually published without a copyright notice. American trade mark owners are fully conscious that they have trade mark rights in both countries, but frequently are unaware that they have copyright in Canada in artistic features of their marks,¹⁶² though they may have no copyright at home.

As for trade marks that have no artistic features, but are mere words or short expressions, these are not accorded copyright protection.¹⁶³ They may lack the originality required for copyright, and in any event they are not regarded as literary works, probably on the *de minimis* principle.

2. Computer Programs

In both the United States and Canada computer programs have been recognized as copyright subject matter. They are specifically provided for in the U.S. Act¹⁶⁴ and their status as literary works, at least in their human readable source code format, has been upheld in Canadian interlocutory decisions which are likely to be followed.¹⁶⁵ The Committee Report proposes that the new Canadian Act deal with computer programs as a separate category of subject matter, with the same terms of protection as are accorded to other works¹⁶⁶ and the Canadian government has indicated that this will be done, with protection afforded to the nationals of all Berne and UCC countries.

¹⁶¹ 17 U.S.C. § 410 (1982).

¹⁶² *Canadian Tire v. Retail Clerks*, 7 C.P.R. 3d (Fed. Ct., Trial D. 1986).

¹⁶³ See, e.g., the refusal to accord copyright to the coined word "EXXON": *Exxon Corporation v. Exxon Insurance Consultants*, 1982 R.P.C. 69 (C.A.).

¹⁶⁴ 17 U.S.C. §§ 101, 117 (1982) as amended in 1980; *Apple v. Franklin*, 219 U.S.P.Q. 113 (3rd Cir. 1983).

¹⁶⁵ *IBM v. Ordinateur Spirales*, 80 C.P.R.2d 187 (Fed. Ct. Trial D. 1984); *Dynabec v. La Societe d'Informatique R.D.G.*, 6 C.P.R.3d 322 (C.A. 1985).

¹⁶⁶ *House of Commons Committee Report*, *supra* note 147, recommendations 52-60.

3. Mask Works

By the Semiconductor Chip Protection Act of 1984 provisions were appended to the U.S. Copyright Act to provide sui generis protection to mask works, i.e., to the three-dimensional series of images that are key to the manufacture of semiconductor chips.¹⁶⁷ It is doubtful that such works are protected in Canada, other than by the common law relating to trade secrets and confidential information, but Canadians may obtain interim protection under the U.S. legislation until June 27, 1986, on the strength of a determination by the U.S. Commissioner of Patents and Trademarks that the Canadian government is making good faith and reasonable progress towards enacting legislation under which mask works may be protected.¹⁶⁸

4. Fixed Works

In order to have copyright a work must be fixed, thus having more than a transitory duration. In Canada, a live television broadcast of a football game has been held not to be a broadcast of a fixed work, and to have no copyright.¹⁶⁹ The problem can be dealt with by making a tape recording of the event and then broadcasting from the tape, but the U.S. Act deals more directly with the problem by providing that a work is fixed if recorded simultaneously with its transmission.¹⁷⁰

C. *The Scope of Copyright*

The principal battles between copyright owners and users of copyright works are over the rights that subsist or should subsist in such works. In the British Commonwealth, there have been some disquieting court decisions as to the scope of copyright in drawings and in dies or molds used for mass production of useful articles. That topic will be discussed later (heading VIII D. below) after discussing industrial designs, but I shall first survey some other important rights which may differ in the United States and Canada.

1. Public Performances and Rediffusion; Performers' Rights

Public performing rights have long been recognized in both countries.¹⁷¹ In the United States, the owners of copyright in original compositions are subject to compulsory licensing in respect of performances on jukeboxes¹⁷² and transmission by cable systems.¹⁷³ In Canada, perform-

¹⁶⁷ 17 U.S.C. §§ 901-914 (1982).

¹⁶⁸ 30 P.T.C.J. 231 (1985).

¹⁶⁹ *Canadian Admiral v. Rediffusion*, 1954 Ex.C.R. 382.

¹⁷⁰ 17 U.S.C. § 231 (1985).

¹⁷¹ 17 U.S.C. § 106(4) (1982); R.S.C. ch. C-30 § 3 (1970) (public performing right and radio communication right).

¹⁷² 17 U.S.C. § 116 (1982).

¹⁷³ *Id.* at § 111.

ances on jukeboxes are generally exempt,¹⁷⁴ as are cable transmissions.¹⁷⁵ Thus, Canadians may benefit from the U.S. compulsory licensing system, but Americans do not receive reciprocal treatment in Canada.¹⁷⁶ The Canadian Committee Report proposes to remove the jukebox exemption¹⁷⁷ and to introduce a compulsory licensing system for cable.¹⁷⁸

Composers and dramatists are able to profit from public performances of their works, but a musician, singer or actor whose performance is recorded and thereafter repeated, over and over again, has no right to compensation in the United States nor in Canada. The Canadian Committee Report recommends the introduction of such a right, to be available to nationals of foreign countries which provide similar rights to Canadians.¹⁷⁹

2. The Right to Record

The owner of copyright in an original composition has, in both countries, the right to record it.¹⁸⁰ But, once he has permitted someone to record it, others may obtain a compulsory license to do so.¹⁸¹ The Canadian Committee Report recommends abolition of this compulsory licensing facility.¹⁸²

3. Rights in Recordings

Sound recordings enjoy copyright in both countries,¹⁸³ and the unlicensed copying of a record or tape may infringe two copyrights, one in the record or tape itself, and the other in the underlying work, usually a musical work, that is recorded. But, although there may be public performing right in the underlying work, neither country confers a further public performing right in the recording.¹⁸⁴ The Canadian Committee Report recommends conferring a public performing right in a recording, but on the basis of reciprocity. Thus, if this controversial recommendation is adopted, American record manufactures would not enjoy the right in Canada unless and until a similar right is conferred in the United

¹⁷⁴ R.S.C. ch. C-30, § 50(7) (1970).

¹⁷⁵ Canadian Admiral, 1954 Ex.C.R. 382.

¹⁷⁶ For criticism of the present Canadian situation see Stim, *A Status Report on Transborder Telecasting*, 32 J. CoP. Soc. 265 (1985).

¹⁷⁷ *House of Commons Committee Report*, *supra* note 147, recommendations 43, 44, 49, 68.

¹⁷⁸ *Id.* at recommendations 97-109.

¹⁷⁹ *Id.* at recommendations 71-74. Conferring such a performer's right is one of the more controversial proposals.

¹⁸⁰ 17 U.S.C. § 106(1)(1982); R.S.C. ch. C-30 § 3(d) (1970).

¹⁸¹ 17 U.S.C. § 115 (1982); R.S.C. ch. C-30 § 19. Unlike the U.S. provision, the Canadian is not limited to nondramatic musical works but extends to any musical, literary or dramatic work.

¹⁸² *House of Commons Committee Report*, *supra* note 147, recommendation 42.

¹⁸³ 17 U.S.C. § 102(7) (1982); R.S.C. ch. C-30 § 4(3) (1970).

¹⁸⁴ 17 U.S.C. § 114 (1982); R.S.C. ch. C-30 § 4(4) (1970).

States.¹⁸⁵

4. Fair Use

Under its fair use doctrine, the United States permits substantial inroads to be made into the copyright owner's rights. That doctrine has been codified as follows:¹⁸⁶

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

In the *Williams and Wilkins* case, library copying of articles in medical journals was held to be fair use,¹⁸⁷ and Congress thereafter attempted to deal with library copying by elaborate statutory provisions.¹⁸⁸ The more recent *Betamax* case held that it is fair use to tape a television program for the purpose of viewing it later, and that consequently it is not actionable to sell videocassette recorders for such use.¹⁸⁹

Canada has a much narrower approach to fair use, and the Canadian Committee Report recommends that it be preserved, with minor modifications.¹⁹⁰ If an alleged infringer has, without authority, reproduced a substantial part of a copyright work, he may be excused if his purpose was "private study, research, criticism, review, or newspaper summary" and if, for one or more of these five purposes, his use was "fair dealing."¹⁹¹ Absent one of the five purposes, there is no need to consider the difficult question of what is fair. Much copying on copying machines for business purposes is clearly not exempted. Nor, it is submitted, is the home taping of television programs. On the other hand, there is little

¹⁸⁵ *House of Commons Committee Report*, *supra* note 147, recommendations 64-70. There was a public performing right in Canada in recordings before 1974, when the right was abolished.

¹⁸⁶ 17 U.S.C. § 107 (1982).

¹⁸⁷ *Williams & Wilkins v. United States*, 180 U.S.P.Q. 49 (Ct. Cl. 1974) *aff'd* by an equally divided Supreme Court 184 U.S.P.Q. 705.

¹⁸⁸ 17 U.S.C. § 108 (1982).

¹⁸⁹ *Sony v. University City Studios*, 220 U.S.P.Q. 665 (1984).

¹⁹⁰ *House of Commons Committee Report*, *supra* note 147, recommendations, 82-86.

¹⁹¹ Canadian Act § 17(s)(a).

doubt that the sale of machines by which such copying can be done is permissible under Canadian copyright law.¹⁹²

The Canadian Committee Report proposes that royalties be payable on copying machines and on blank tapes, and that the formation of collectives, with voluntary membership, be encouraged to receive and distribute the proceeds to the owners of copyright.¹⁹³ If this controversial proposal is implemented, nationals of countries belonging to the Berne or Universal Copyright Conventions would participate except as to works not governed by those Conventions (sound recordings and performances are prime examples); as for the latter works, monies collected on sale of equipment would be distributed only to nationals of countries which provide reciprocal treatment to Canadians. The Committee Report does not recommend any special treatment for copying by libraries (whereas the U.S. does accord special treatment);¹⁹⁴ the Report suggests that copyright owners should take the initiative by forming a collective to work out a blanket licensing and payment system, as has long been done by owners of public performing rights.¹⁹⁵

5. Editions

The publisher of a book may have no copyright in the literary, artistic or other matter contained in the book, but may have invested a substantial amount in providing an excellent type setting and layout. The United States and Canadian copyright statutes do not provide him with a remedy against one who copies such an edition. The Canadian Committee Report recommends that he be given recourse against such unauthorized reproduction, the protection to be available to publishers in other countries which provide similar protection.¹⁹⁶

6. Dealing in Copies

(a) Trading in Lawfully Made Copies

Section 106(3) of the U.S. Copyright Act gives to a copyright owner the right to sell, rent, lease or lend copies of his work, but anyone who has acquired a lawfully made copy is, by § 109(a), entitled to sell or otherwise dispose of the possession of the copy.¹⁹⁷ The Canadian Act does not confer on the copyright owner a right to sell, rent, lease or lend, and it follows (subject to what will be said below with respect to import-

¹⁹² Hayhurst, *Copyright and the Copying Machine* 9 CAN. BUS. L. J. 129 (1984); *Amstrad v. British Phonograph Industry (C.A.)* as reported in THE TIMES, October 30, 1985.

¹⁹³ *House of Commons Committee Report*, *supra* note 147, recommendations 93-96, and 110-113.

¹⁹⁴ 17 U.S.C. § 108 (1982).

¹⁹⁵ *House of Commons Committee Report*, *supra* note 147, recommendations 24-25.

¹⁹⁶ *Id.* at recommendation 18.

¹⁹⁷ If the copyright owner attempts to restrain the alienation of the copy, principles referred to earlier under heading II, Restraint of Trade, must be considered.

ing) that a person who has obtained a lawfully made copy may, as in the United States, deal with it without infringement of copyright.

(b) Trading in Infringing Copies

Section 106(3) of the U.S. Act may be relied upon by a copyright owner to proceed against persons who deal in copies that were not lawfully made, though such persons may not have known that the copies were infringing copies.¹⁹⁸ In Canada, by § 17(4), a person who has acquired infringing copies may trade in them without liability until he has knowledge that they are infringing copies. An innocent person who is put on notice that he is trading in such copies in Canada does not become an infringer until he has had a reasonable opportunity to investigate the allegation.¹⁹⁹

(c) Importing

Copies of a work may have been made abroad legitimately, but importation of such copies into Canada may infringe Canadian copyright if the foreign copier would not have been entitled to make the copies in Canada.²⁰⁰ Importation of copies into Canada has assumed some importance in cases where books written by Canadian authors, and sold in the United States with their consent, have been remaindered there (with no royalties payable to the authors) and then imported into Canada and often sold more cheaply than editions authorized for sale in Canada. In actions for copyright infringement, a series of court decisions, not easily reconciled, has failed to resolve the problem to the satisfaction of authors.²⁰¹

The United States Copyright Act makes it a copyright infringement to import copies without the authority of the copyright owner, and there may be infringement though the imported copies were legitimately made abroad.²⁰² Proceedings may also be brought before the ITC under § 337 of the Tariff Act, referred to earlier in connection with importation of grey goods.²⁰³

In both Canada and the United States, there are provisions for requesting the Customs authorities to prevent the importation of infringing

¹⁹⁸ *American International Pictures v. Foreman*, 576 F.2d 664 (5th Cir. 1978). Innocence may affect the remedies: *M.B. NIMMER*, *supra* note 146, § 13.8.

¹⁹⁹ *Stilltoe v. McGraw-Hill*, 1983 F.S.R. 545 (Ch.D.).

²⁰⁰ § 17(4); *A & M Records v. Millbank Music*, 1 C.P.R. 3d (Fed. Ct. Trial D. 1985). *cf* *Barson Computers v. John Gilbert*, 1985 F.S.R. 489 (N.Z. High Ct.).

²⁰¹ *Hayhurst, Industrial Property*, 11 OTTAWA L. REV. 391, 491-495 (1979) G.F. Henderson, *Canadian Copyright Law*, 24 BULL. COP. SOC. 369, 382-84 (1977).

²⁰² § 602(a), discussed by Feingold, *Parallel Importing Under the Copyright Act of 1976*, 32 J. COP. SOC. 211 (1985); *Selchow & Righter v. Goldex*, 225 U.S.P.Q. 815 (S.D. Fla. 1985); *Cosmair v. Dynamite Enterprises*, 225 U.S.P.Q. 341 (S.D. Fla. 1985).

²⁰³ *Wilson*, *supra*, note 139; *Lupo, International Trade Commission Section 337 Proceedings and their Applicability to Copyright Ownership*, 32 J. COP. SOC. 193 (1985).

copies of copyright works.²⁰⁴ But it is difficult for the Customs authorities to identify, as infringing, many goods that are imported. The Canadian Committee Report recommends that importation protection be maintained²⁰⁵ but improved procedures and facilities are needed.

(d) Renting and Lending Rights

Copyright owners receive income on the sale of copies of their works but, after the sale, subsequent lending or renting of the copies ordinarily yields no further revenue to the copyright owner. Lending or renting can cut seriously into sales. In 1984 the United States enacted the Record Rental Amendment Act²⁰⁶ which prohibits rental or lending of records for commercial advantage without the authorization of the owner of the copyright in the sound recordings and in the musical works embodied therein. Canada has no corresponding legislation, but the Committee Report recommends that Canada introduce a renting right for all copyright works.²⁰⁷ The Report does not say whether foreigners would receive the benefit of this right.

Lending of books by libraries gives essentially free access to copyright works without compensation to the authors. Several countries other than the United States and Canada have introduced "public lending right" schemes, designed to compensate authors whose books are borrowed from libraries. The Canadian Committee Report proposes the introduction of a public lending right, but outside the Copyright Act so as to minimize the outflow of payments to foreign authors.²⁰⁸

(e) Resale Rights

California²⁰⁹ and some foreign jurisdictions confer upon artists a "droit de suite," giving them the right to participate in the proceeds of resale of their works. Canada does not provide such a right, and the Committee Report does not advocate doing so at present.²¹⁰

(f) Public Display

The U.S. Act introduced in 1978 a right of public display.²¹¹ Canada does not confer such a right. The Canadian Committee Report recommends the introduction of a right to exhibit the original of an artistic work in public²¹² but it does not recommend that there be a right of

²⁰⁴ R.S.C. ch. C-30 §§ 27 and 28 (1970) and Customs Tariff Act, *supra*, note 131; 17 U.S.C. §§ 602(b), 603 (1982) and 19 C.F.R. § 133.

²⁰⁵ *House of Commons Committee Report*, *supra* note 147, recommendations 22 and 135.

²⁰⁶ P.L. 98-450, 98 stat. 1727.

²⁰⁷ *House of Commons Committee Report*, *supra* note 147, recommendation 92.

²⁰⁸ *Id.* at recommendation 23.

²⁰⁹ CAL. CIVIL CODE § 986.

²¹⁰ *House of Commons Committee Report*, *supra* note 147, recommendation 35.

²¹¹ 17 U.S.C. § 106(5)(1982) but see also 17 U.S.C. §§ 109(b), 110 and 118 (1982).

²¹² *House of Commons Committee Report*, *supra* note 147, recommendation 34.

displaying a work on a computer terminal;²¹³ the latter issue is recognized by the government as deserving further study.

(g) Moral Rights

The Berne Copyright Convention calls for the recognition of moral rights, and in conformity Canada has the following provision in its Copyright Act:²¹⁴

Independently of the author's copyright, and even after the assignment, either wholly or partially, of the said copyright, the author has the right to claim authorship of the work, as well as the right to restrain any distortion, mutilation or other modification of the work that would be prejudicial to his honour or reputation.

There is no corresponding provision in the U.S. Copyright Act, but some states have enacted laws reflecting a similar philosophy,²¹⁵ and reliance may in particular instances be placed on various causes of action at common law, e.g., passing off or defamation.²¹⁶

D. Remedies Against Copyright Infringers

In both the United States and Canada, a successful civil action for copyright infringement usually results in the grant of an injunction, destruction or other disposition of infringing copies and of tools used to make them, damages and possibly some of the profits of the infringer, and costs.²¹⁷ In Canada, costs usually include a substantial part of the fees paid to the lawyers for the successful party, whereas attorney's fees are not routinely awarded in the United States.

The U.S. Act offers to the successful plaintiff the useful option of electing to take "statutory damages" instead of actual damages and profits, the amount ranging from \$250 to \$10,000, as the court considers just.²¹⁸ This is a valuable option where proof of damages and profits may be difficult or expensive. A Canadian court may award nominal damages, and exemplary damages,²¹⁹ but the Canadian Committee Report recommends that Canada also provide for a statutory damage option.²²⁰

As in other Commonwealth countries, Canada provides an additional remedy against an infringer, based on a fiction that all infringing

²¹³ *Id.* recommendation 53.

²¹⁴ § 12 (7).

²¹⁵ Hartnick, *Art Law Revisited*, 32 J. COP. SOC. 274, 280 (1985).

²¹⁶ For an excellent survey see Vaver, *Authors' Moral Rights in Canada*, 14 I.I.C. 329, (1983).

²¹⁷ 27 U.S.C. §§ 502-565, 510 (1982); R.S.C. ch. C-30 § 20 (1970). Licenses, including nonexclusive licenses, may be entitled to relief for infringement of Canadian copyright, trademark and patent rights: Hayhurst, *Armstrong Cork Canada Ltd., v. Domco Industries Ltd.: Right of non-exclusive Licensee to Sue for Damages*, 4 E.I.P.R. 106 (1983).

²¹⁸ 17 U.S.C. § 504(c)(1982).

²¹⁹ *Underwriters' Survey v. Massie & Renwick*. 1942 Ex.C.R. 1.

²²⁰ *House of Commons Committee Report, supra*, note 147, recommendation 134.

copies are the property of the copyright owner. Section 21 of the Canadian Act provides:

All infringing copies of any work in which copyright subsists, or of any substantial part thereof, and all plates used or intended to be used for the production of such infringing copies, shall be deemed to be the property of the owner of the copyright, who accordingly may take proceedings for the recovery of the possession thereof or in respect of the conversion thereof.

An award of damages for conversion of tangible articles is in addition to damages for infringement of the plaintiff's intangible copyright. Though care must be taken to avoid an overlap, an award of conversion damages can be out of all proportion to the loss actually suffered by the plaintiff. This is illustrated by an example suggested by Lord Scarman in the House of Lords:

And what if the infringing copy be engraved upon a silver chalice or a gold medallion? . . . [T]he damages for conversion are ordinarily measured by reference to the value of the goods converted²²¹

The conversion remedy can be draconian and it is probable that it will be eliminated on the next revision of the Canadian Act, though the Committee Report²²² does not comment upon it.

Copyright infringement is rampant, particularly in the methodical production of sound and video tapes, and civil proceedings against infringers may be expensive and ineffective. Increasingly, copyright owners are seeking the aid of the criminal law. Both the U.S. and the Canadian Copyright Acts provide for criminal penalties, but those that can be imposed under the Canadian Act are relatively mild.²²³ Canada has a federal Criminal Code, and prosecutions for fraud have been brought successfully, resulting in heavier penalties.²²⁴ The Canadian Committee Report recommends a very substantial increase in penalties available for prosecutions brought under the Copyright Act.²²⁵

VIII. INDUSTRIAL DESIGNS

Under the U.S. Patent Act, it may be possible to obtain a design patent for the ornamental design of an article of manufacture.²²⁶ Corresponding protection is available in Canada, under the Industrial Design

²²¹ *Infabrics v. Jaytex*, 1984 R.P.C. 405, 457.

²²² *House of Commons Committee Report*, *supra*, note 147. For a case comment showing the value of the conversion remedy against pirates see Prescott, *EMI Records Ltd. v. Kudhail*, *Class Injunctions*, 1 E.I.P.R. 58 (1968).

²²³ R.S.C. ch. C-30 §§ 25, 26 (1970); 17 U.S.C. § 506, 509 (1982).

²²⁴ *Canadian Criminal Code*, *supra* note 127, § 338(1). See also § 423 (2) relating to conspiracy, §§ 646, 647 for penalties, and Green, *The Empire Strikes Back: Criminal Remedies for Video Piracy*, 1 I.P.J. 1 (1984).

²²⁵ *House of Commons Committee Report*, *supra*, note 147, recommendation 136.

²²⁶ 35 U.S.C. §§ 171-173 (1982).

Act, for the shape or surface ornamentation of an article.²²⁷ In both countries an exclusive right is given, enforceable whether or not the design has been copied. The term of protection in Canada is five years, renewable for another five²²⁸ and that in the United States is three and one-half, seven, or fourteen years at the election of the applicant for the design patent.²²⁹ In neither country is protection given, under the design laws, for purely utilitarian features.

Though it is not my intent to discuss grounds of invalidity, the Canadian Industrial Design Act contains some serious pitfalls that deserve emphasis. These pitfalls illustrate the woeful inadequacy of the Canadian statute, which is derived from the U.K. Act of 1842²³⁰ and has not been amended significantly for over a century.

A. *Criteria for the Grant of Protection*

The U.S. Act requires a design to meet the usual patentability criteria of novelty, unobviousness, and originality.²³¹ The Canadian Act calls only for novelty and originality. The Canadian requirement for originality seems to demand less than unobviousness, but more than the simple copyright requirement that the design be more than trivial and have originated from the author without copying. The requirement is that the design must differ substantially from earlier designs.²³² In practical terms, it is generally easier to obtain a Canadian industrial design registration than a U.S. design patent.

But the Canadian Act lays significant traps for applicants. It requires that a design be actually registered within one year from the publication of the design in Canada.²³³ Merely to file an application in Canada within that year is insufficient, nor is the position altered if the applicant has the benefit of an earlier foreign filing date by reason of Canada's obligations under the Paris Convention.²³⁴ The Canadian Industrial Design Office will cooperate in promptly examining an application and, if the design is registrable, in registering it, provided the applicant shows that the one year deadline for registration is imminent.

Another trap for the unwary is that the Canadian Act has been construed as entitling but one entity to be the applicant, namely, whoever was the original proprietor of the design at the time it was created. That original proprietor may be the employer of the author of the design.²³⁵

²²⁷ R.S.C. ch. I-8 (1970).

²²⁸ *Id.* at §§ 9, 10.

²²⁹ 35 U.S.C. § 173 (1982).

²³⁰ 5 & 6 Vic. ch. 100.

²³¹ 35 U.S.C. §§ 171, 102, 103 (1982).

²³² *Bata v. Warrington*, 5 C.P.R.3d 339 (Fed. Ct., Trial D. 1985). Considerations will be given to designs for analogous articles: *Clatworthy v. Dale* 1929 S.C.R. 429.

²³³ § 14(1).

²³⁴ Article 4C: R.S.C. ch. I-8 § 29 (1970).

²³⁵ R.S.C. ch. I-8 § 13 (1970).

Though designs are assignable,²³⁶ to apply in the name of an assignee of the original proprietor will result in an invalid registration.²³⁷

B. Marking

In the United States, failure to mark a patented article or its package with the word "patent" or "pat." and the number of the patent may deprive the patentee of damages for infringement.²³⁸ The Canadian Industrial Design Act requires marking of the article with the letters "Rd." (or the French equivalent "Enr."), the year of registration, and the name of the proprietor of the registration.²³⁹ It has been held that failure to mark invalidates the Canadian registration,²⁴⁰ despite the Paris Convention requirement that no indication or mention of a patent, trade mark registration or industrial design registration shall be required on goods as a condition of protection.²⁴¹

C. Liability for Design Infringement

The owner of a U.S. design patent has the right to exclude others from making, using or selling his invention,²⁴² and may obtain an injunction, damages, and, in exceptional cases, attorney's fees.²⁴³

The Canadian Industrial Design Act provides that damages may be awarded against a person who "applies or imitates any design for the purpose of sale, being aware that the proprietor of the design has not given his consent to such application or imitation."²⁴⁴ It seems that subsequent vendors or users of infringing articles cannot be sued for damages, the only remedies being an injunction, delivery up of infringing articles in aid of the injunction, and costs which, in Canada, normally include part of the fees paid by the successful party to his lawyers.²⁴⁵ These latter remedies would also be available against the manufacturer of the infringing articles.

²³⁶ *Id.* at § 13.

²³⁷ *Melnor v. Lido*, 1971 S.C.R. 72.

²³⁸ 35 U.S.C. § 287 (1982).

²³⁹ R.S.C. ch. I-8 § 14 (1970).

²⁴⁰ *Mainetti v. ERA Display*, 80 C.P.R. 2d (Fed. Ct. Trial D. 1984).

²⁴¹ Article 5D. Though Canada is a signatory to the Convention, treaty provisions are not part of Canadian law if not enacted in domestic legislation.

²⁴² 35 U.S.C. §§ 171, 154 (1982).

²⁴³ *Id.* at §§ 283-285.

²⁴⁴ R.S.C. ch. I-8 § 15 (1970).

²⁴⁵ Vendors may be prosecuted for a summary offense under § 16 of the Act, and be required to pay a penalty to the proprietor of the design: *Soc. Anonyme Les Cuir Meillon v. Brumer*, 18 C.P.R.2d 102 (C.S. 1975), *aff'd*. 25 C.P.R.2d 153 (C.A. 1976), a case where it is suggested that not even an injunction, (nor, it would follow, delivery up), may be available against mere vendors in a civil action.

D. Copyright and Industrial Designs

Independently of any protection that may be available under the U.S. design patent laws, U.S. copyright law may provide copyright protection for an artistic work that is embodied in a useful article if the artistic work can be physically or conceptually severed from the article.²⁴⁶ U.S. courts have been cautious about extending to industrial designs the comparatively long protection of copyright.²⁴⁷ Also, the U.S. Copyright Act makes it clear that there is no copyright in utilitarian features.²⁴⁸

The Canadian Copyright Act, based on the U.K. Act of 1911,²⁴⁹ was until recently generally thought to provide no protection for utilitarian features of articles, and to provide no protection for artistic features except in relatively rare cases. This conventional wisdom has been upset by recent decisions of the Trial Division of the Federal Court of Canada.

To review the position briefly,²⁵⁰ § 46 of the Canadian Copyright Act provides, in effect, that there is no copyright in designs capable of being registered under the Industrial Design Act if such designs, when created, were intended to be used as models or patterns for multiplication by an industrial process. In a case decided at a time when the U.K. had the same statutory provisions,²⁵¹ it was held that drawings of the cartoon character Popeye had full copyright protection because when the drawings were originally made they were not intended to be used to make three dimensional articles. Later authorization by the copyright owner for the manufacture of Popeye dolls did not affect the scope of copyright in the drawings. For the defendant to copy the authorized dolls was an infringement of the copyright in the original drawings, because to copy the dolls was to copy those drawings indirectly. Had the drawings been originally made for the purpose of producing dolls, there would have been no copyright infringement by copying the dolls by reason of the U.K. equivalent of Canadian § 46. This is still accepted as being the law in Canada.

However, in *Royal Doulton v. Cassidy's*,²⁵² a Canadian judge held that a rule²⁵³ made under the Industrial Design Act provides the controlling test as to whether a design is deemed to be one for multiplication by an industrial process. That rule provides that a design is so deemed where the design is intended to be reproduced in more than fifty single

²⁴⁶ 17 U.S.C. § 101 (1982), which defines "pictorial, graphic and sculptural works", and reflects the decision in *Mazer v. Stein*, 347 U.S. 201 (1954).

²⁴⁷ See, e.g., *Norris Industries v. I.T.&T.*, 217 U.S.P.Q. 226 (11th Cir. 1983).

²⁴⁸ 17 U.S.C. §§ 101, 102, 113 (1982).

²⁴⁹ GEO., *supra*, note 144.

²⁵⁰ For further discussion see Hayhurst, *Creeping Copyright: The Canadian Bayliner Case*, 12 E.I.P.R. 354 (1985).

²⁵¹ *King Features v. Kleeman*, 1941 A.C. 417.

²⁵² 1 C.P.R. 3d 214 (Fed. Ct. Trial D. 1985).

²⁵³ CAN. CONS. REGS. ch. 94, § 11 (1978).

articles "and" where it is to be applied to various articles that are made in lengths (such things as textiles, carpets and wall papers). In *Royal Doulton*, the designs were floral patterns for china. Construing the "and" in the rule conjunctively, the judge held that such patterns were outside the rule, and consequently had copyright. If this conclusion was correct, most industrial designs enjoy copyright in Canada even though they may also be registrable under the Industrial Design Act.

Still more intriguing is the possibility that purely utilitarian designs may have copyright in Canada. In the U.K., under legislation which is now somewhat different from Canada's, it has been held that to copy a utilitarian article may infringe the copyright in drawings from which that article was made.²⁵⁴ In New Zealand, where the legislation is like that in the U.K., it has been held that a die for making Frisbee flying discs is an engraving in which copyright subsists, and that to copy a Frisbee is indirectly to copy that die and thereby to infringe the copyright in the die.²⁵⁵

Consistent with the reasoning in such Commonwealth decisions is another decision of the Trial Division of the Federal Court of Canada in *Bayliner v. Doral*.²⁵⁶ Following the lead taken in the *Royal Doulton* case,²⁵⁷ the judge in *Bayliner* held that copyright in drawings of a boat hull and superstructure was infringed by copying a boat made from the drawings. He also accepted an argument that drawings of purely utilitarian articles, because they are for designs not capable of being registered as industrial designs, have copyright that can be infringed by copying utilitarian articles made from the drawings. Further, he agreed that if a drawing, though having the originality required for copyright, is a drawing of an old or unoriginal design, the drawing is for a design not capable of being registered as an industrial design. There is therefore copyright in the design shown in the drawing, and that to copy the drawing indirectly by copying an article made from it is to infringe the copyright in the drawing.

Another decision, by the same judge who tried the *Bayliner* case, has added an interesting twist. In *Rucker v. Gavel's*,²⁵⁸ he held that where a plaintiff has obtained a Canadian patent he thereby loses copyright protection for drawings used to make the patented article.

These Canadian trial decisions may be overruled on appeals that are now pending, but meanwhile it is clear that the Copyright Act and the Industrial Design Rules have been construed, or misconstrued, to confer excessively long protection against the copying of artistic or utilitarian features of almost any article that has been made from a drawing or engraving that has the modicum of originality required by the Copyright

²⁵⁴ *L. B. (Plastics) v. Swish Products*, 1979 R.P.C. 551 (H.L.).

²⁵⁵ *Wham-O v. Lincoln*, 1985 R.P.C. 127 (N.Z.C.A.).

²⁵⁶ 5 C.P.R. 3d 389 (1985).

²⁵⁷ 1 C.P.R. 3d 214 (Fed. Ct. Trial D. 1985).

²⁵⁸ 7 C.P.R. 3d 294 (1986).

Act. It is difficult to believe that this incongruous situation will be allowed by the appellate courts, or (if need be) by Parliament, to persist.

There has been some drawing back in a recent decision of the House of Lords in *British Leyland v. Armstrong*.²⁵⁹ British Leyland sells motor cars, and has copyright in the drawings of parts of its cars, including copyright in drawings of purely utilitarian exhaust pipes. During the lifetime of a car, the exhaust pipe may have to be replaced several times. Armstrong copied British Leyland exhaust pipes in order to supply the replacement market, and was sued by British Leyland for infringement of copyright in its drawings. The House of Lords held that for British Leyland to assert its copyright in this situation would be to render the car materially unfit for the purpose for which it was sold, and thus would be to derogate from British Leyland's grant in selling the car. The car owner has the right to repair it, and that right would be useless if spare parts suppliers, such as Armstrong, were not free to copy. Their Lordships thus carved out of the copyright owner's statutory rights a common law nonderogation defence, applicable to strangers to the transaction between British Leyland and its customers. But such a defense would not be open to the person who copied the entire car.

IX. FREE TRADE

Within the next few weeks Canada and the United States are expected to begin discussions about free trade. From a Canadian viewpoint, the importance of technology is one of the stimuli. Historically, Canada has relied heavily upon the export of raw materials, but foreign suppliers of such materials have become increasingly competitive, and the demand for some of these materials is shrinking.

Canadian industry is technologically advanced, but the Canadian market is small. As technology becomes increasingly available in other countries, there is seen to be a need to specialize, to have a larger market and to belong to a larger international trading entity. Canadians are being urged by their government to support a "leap of faith" in an imperfect world. But is unclear how free is the trade that is contemplated. There is talk of a "level playing field," which suggests competition on equal terms, with a transborder flow of goods, services and capital with as few impediments as possible.

This does not appeal to everyone in Canada. There are many industries in Canada that have depended upon protective tariffs; there are those who are concerned about increased American economic dominance in Canada, and possible adverse effects on Canada's relations with other important trading partners; there are those who fear a loss of cultural identity if Canadian publishing, broadcasting and other institutions do not continue to receive favoured treatment; and, there are those who see

²⁵⁹ See discussion, *supra*, note 145.

a trend to economic union as a threat to political sovereignty, to Canada's social welfare programs, and to her linguistic heritage.

Nor does the idea of free trade have universal support in the United States, particularly in extractive industries, such as lumbering and fishing, which are in direct competition with industries in Canada that enjoy substantial government support. But the Canadian market and Canadian resources are attractive to Americans, and the United States is interested in developing close relations in other matters, including defence, foreign relations, and the protection of intellectual property.

Before considering how differences in intellectual property laws, and the way they are administered, may bear upon free trade discussions, it is to be observed that intellectual property has no natural geographical boundaries. Real estate has a fixed location. Chattels are located at only one place at a time. But the subject matter of intellectual property is intangible. An invention, or an industrial design, may have been conceived or reduced to a tangible embodiment at one location, but it can be communicated to others anywhere and exploited by any number of persons, at the same time, in different parts of the world.

Copyright is an intangible right which subsists in works, such as books which themselves are "fixed" or tangible, but copyright may also be exploited anywhere and has no natural location. Trade marks are indications of source, but the source may have one or several locations, and the mark can indicate the source though appearing anywhere in association with goods or services. It is largely because of the international character of intellectual property that International Conventions are needed. Theoretically, intellectual property should lend itself naturally to international treatment.

But we have seen that the existing International Conventions have been premised primarily on national treatment, rather than upon uniform international treatment. Each country, while according to foreigners the same rights as it does to its own nationals, may accord quite different rights than are available in other countries. The rights in different nations may be owned by different persons and may serve as nontariff barriers to the flow of goods and services between countries. Efforts have been made, notably in the European Economic Community, to reduce these barriers, but with nothing approaching complete success.

The United States has become increasingly critical of foreign countries whose domestic laws do not accord strong protection to intellectual property. Free trade discussions are seen by some as offering a possible route for obtaining concessions from Canada. Prominent among these are the pharmaceutical companies who would like to see an end to Canadian compulsory licensing of patents for the production of medicines, and copyright owners who receive no television revenues from Canadian cable systems. At the same time, we have seen that the United States has itself used intellectual property rights as barriers to importation. Such barriers are generally approved in respect of counterfeit goods, but they

are more controversial when applied to "grey" goods made by foreign enterprises that are connected in some way with the domestic business that seeks to keep the goods out. A nationalistic stance is a natural reaction where it is perceived that equity is not being done abroad.

In Canada, there has been some preoccupation, at least in government circles, with other issues. A large majority of patents and copyrights in Canada are owned by non-Canadians, and by Canadian subsidiaries of non-Canadian companies. This results from the fact of life that the bulk of the world's inventors and authors and traders are non-Canadians. But there have been concerns about excessive control of the Canadian economy by foreigners, and about a net flow of royalties and profits out of the country. These concerns are reflected, to a degree, in the Canadian Committee Report on copyright law revision, where it is suggested that, in respect of certain rights that are not governed by the International Conventions (performers' rights, performing rights in records, home taping, etc.) payments be made to only such foreigners as are nationals of countries that provide reciprocal treatment. The reciprocity approach is not unique to Canada; for example, it is the approach taken by the United States in relation to protection of mask works.

To one who espouses the idea of free trade, the utopian way of dealing with intellectual property would be to have common intellectual property laws, with a central administration and a common court system. But one need only witness the strong divisions of opinion within each country as to what the domestic laws should be, and the snail's pace at which domestic revisions take place, to predict that such uniformity will not be reached in our lifetime.

With these general observations, let us turn to a few of the aspects of intellectual property laws and administration that have a bearing upon the flow of goods and services between the United States and Canada.

A. Patents

There are many inventions for which a patent has been obtained in Canada, or in the United States, but no corresponding patent has been obtained in the other country.²⁶⁰ One would expect that, in this situation, a free trade arrangement should not prevent the one patent from being enforceable to prevent importation from the other country. A similar result should follow if, as is common, patents are obtained in both countries but one issues before the other, and one expires before the other.

Frequently a U.S. patent and the corresponding Canadian patent have claims of different scope.²⁶¹ This may be so even if the claims have identical wording, because different principles of construction are applied

²⁶⁰ For example, the inventor or his assignee may not have applied in one of the countries, or prior art citable in one country may not have been citable in the other.

²⁶¹ For example, the prior art citable in the two countries may have been different, or the

by U.S. and Canadian courts.²⁶² Thus, not infrequently an article which does not infringe the U.S. patent does infringe the Canadian. If both patents have the same owner, should that owner be able to prevent importation into Canada from the United States? Should it make any difference if the owners are not the same, but are related in some way?

Sometimes there is no relationship between the owners of corresponding U.S. and Canadian patents. Each may have purchased the patent from a previous owner. Or the patents may have resulted from the work of different inventors, but because of differences in the patent laws of the two countries, both patents may be valid.²⁶³ In such cases should not the patent rights be capable of independent exercise?

Patents for the same invention may have been licensed to different licensees in the two countries, and the licensees may have paid substantial amounts for their licenses, and have made substantial investments in plant and equipment in the expectation that they would have little or limited competition in their respective countries. With free trade, are these subsisting rights to be undermined or, conversely, are licensees to receive expanded markets for which they had not bargained?

An acute example of the problem of licenses is the provision in § 41(4) of the Canadian Patent Act for the compulsory licensing of patents for inventions relating to the production of medicines. If such licenses continue to be available for nominal royalties, and if the licensees were to have free access to the U.S. market, the U.S. pharmaceutical industry would be dealt a serious blow, having to compete with medicines imported into Canada from countries which contribute little or nothing to the cost of pharmaceutical research. If such compulsory licenses were eliminated, and U.S. manufacturers of medicines had free access to the Canadian market, one would expect that Canadian prices would be about what they are in the United States. There would be a problem about numerous compulsory licenses now subsisting in Canada in relation to medicines of major importance, and an undoubted reluctance to cancel such licenses, which run for the life of the patents.

In cases of abuse, any Canadian patent is, after three years from grant, subject to compulsory licensing under § 67 of the Canadian Patent Act. The usual abuse is failure to manufacture in Canada. Under a free trade arrangement, one would expect that manufacture in the United States should suffice.

Some of the problems would be less acute if the patent laws of the two countries were brought into greater agreement, and as presently subsisting patents expire. But it is difficult to see how all the impediments to

Patent Office Examiners may have had different but defensible views as to the scope of protection that should be granted.

²⁶² *Loctite v. Ultraseal*, 228 U.S.P.Q. 90 (Fed. Cir. 1986); See text *supra*, note 69.

²⁶³ For example, the tests as to who was the first inventor are different in the two countries, as are the tests as to what can be cited as prior art.

free trade, resulting from patents, could be eliminated as long as separate patents are granted in the two countries.

In a message to Congress, President Reagan has proposed a regional Patent Office for the western hemisphere.²⁶⁴ It seems that such an office would, like the European Patent Office, receive a single patent application, conduct a search for prior art, and grant a patent effective in each country designated by the applicant and for which a fee had been paid. This would require more uniformity of patent laws than we now have, as to such things as patentable subject matter,²⁶⁵ the kinds of claim that are allowable,²⁶⁶ the prior art that is citable,²⁶⁷ and tests of obviousness.²⁶⁸

A more modest proposal, that seems to have favour with the Canadian government, would be for Canada to join the Patent Cooperation Treaty (PCT), of which the United States is an active participant, so that Canadians could file a PCT application in the U.S. Patent Office and receive the results of a search for prior art conducted by that Office under Chapter I of the PCT. If, as seems likely, both countries adhere to Chapter II of the PCT, the U.S. Patent Office would issue an examination report on the patentability of the invention. Such a report could not always be endorsed by the Canadian Patent Office, in the absence of uniformity of patent laws, but if Canadian examiners were able to concentrate their efforts on considering such examination reports the quality of issued patents might improve.

Under the PCT, national patent offices cannot be eliminated. They are needed for the examination of applications emanating from countries that have not joined the PCT. They should be available to applicants who elect not to proceed via the PCT. Similarly, under a regional patent office scheme it seems that national patent offices would have to be maintained, as they have been in Europe with its European Patent Office. The inventor who wishes to keep his expenses down is likely to find it less costly to proceed by the national patent office route where he is, or must be, content to seek protection in only one or two countries. Not to be ignored also is the fact that, unlike the U.S. Patent and Trademark Office, the Canadian Patent Office is a profit maker,²⁶⁹ and the further fact that persons whose livelihood is primarily dependent upon dealing with that Office are a source of employment in Canada for highly trained indi-

²⁶⁴ 31 P.T.C.J. 285 (1986).

²⁶⁵ The principal differences now are the Canadian restrictions in § 41 (1), *supra*, note 41, and in relation to medical treatment, *supra*, note 46.

²⁶⁶ See *Ciba*, 1959 S.C.R. and *Re Durden*, 226 U.S.P.Q. for examples relating to the allowability of claims for a classic process for producing a product having unobvious properties.

²⁶⁷ R.S.C. ch. P-4 § 28 (1970) 35 U.S.C. § 102 (1982).

²⁶⁸ For example, the CAFC (successor to the CCPA) rejects the "worth a try" or "obvious to try" test that has been used in Canada: *cf Re Antonie*, 195 U.S.P.Q. 6 (1977), and *Farbwerke Hoechst v. Halocarbon*, 74 C.P.R.2d 95, 98-99 (Fed. Ct., Trial D. 1984).

²⁶⁹ This year it is estimated that the Canadian Patent Office will make a profit in excess of twenty million dollars.

viduals, whose activities bring into Canada large amounts of foreign exchange.

Under the PCT arrangement, or the suggested regional patent office arrangement, perhaps the work load might be shared by existing national patent offices. But under either scheme it seems that the patents which issue would be enforced by the respective national courts. Conflicting adjudications could easily arise because of such things as differences in procedure, in the availability of evidence, in approaches to questions of construction, validity and infringement, and the relative complexity of U.S. law on issues of invention date, fraud, misuse and antitrust. It would be a pity if Canadian courts were, for greater consistency with their U.S. counterparts, to be drawn into some of the issues which bedevil U.S. patent litigation. Canadian patent litigation is already far too expensive.

One thing is clear. Whatever system might be set up to eliminate duplication of work at the Patent Office level, as long as separate patents are obtainable in the United States and Canada they would necessarily interfere with the free flow of goods between our countries.

B. Trade Marks

Unlike patents, trade marks have an indefinite duration. They are often among the most valuable assets of a business, and are not lightly to be interfered with. There are many instances where the same marks, or confusingly similar marks, are owned in the United States and in Canada by different entities, each having its own substantial business goodwill in its own country. The relationship between the different owners may range from nil through merely historic to near identity. But where in the spectrum of relationships one might draw the line, and permit the importation of "grey" goods, is fraught with controversy.

Reference has been made earlier to the facilities that are now available to protect trade mark owners against the importation of certain trade marked goods. The Canadian Customs authorities are less well equipped than their U.S. counterparts to detect merchandise that should be stopped. The United States would not welcome a system which allowed trade marked merchandise to pass through Canadian Customs and then have automatic entry into the U.S. It is difficult to conceive how a uniform Customs barrier might effectively be erected around both countries in relation to trade marked goods, having regard to the different trade mark rights that subsist in the two countries. Even in respect of goods originating in the United States or in Canada, it may be necessary to exercise trade mark rights to prevent the transborder flow of goods the sale of which may cause confusion, deception and loss of valuable goodwill in the country of importation.

With substantial leadership and aid from organs of the European Economic Community, western European countries have had grueling

negotiations over how to reconcile a possible supra-national trade mark with vested rights that must be preserved in subsisting trade marks and trade names, and over how a regional trade marks office might deal with such pre-existing rights. If one were to think of a system for obtaining a single trade mark registration effective in both the United States and Canada, the fact that both countries have a common law tradition could reduce some of the difficulties that arose in Europe. But among many interesting challenges would be whether Americans would accept summary opposition and invalidation proceedings akin to those that we have in Canada, or insist upon more complex and expensive procedures now in place in the U.S. and designed to achieve more perfect justice.

There are some unnecessary differences in U.S. and Canadian trade mark laws. Free trade discussions might provide an impetus for greater uniformity. Canada's awkward law on the licensing of marks should be brought into line with that of the United States. American insistence on use in commerce, for U.S. applicants for registration, might usefully be modified to permit applications based on proposed use, as in Canada, followed by use in commerce before registration. But to reconcile such differences would not remove the obstacles to complete freedom of trade that are presented by the enormously valuable rights of diverse owners of trade mark and trade names.

C. Copyright

Once again, differences of ownership and of licensing arrangements present substantial obstacles to free trade. Many subsisting works have copyright in Canada but not in the United States; for example, the U.S. formalities may not have been complied with, or the U.S. copyright may have expired having regard to differences in term of protection, particularly for pre-1978 works in the United States.

Different political views exist (spurred by pressure from lobbyists) about according equal rights on both sides of the border. Some in the United States would prefer to require American authors to have their books manufactured in the United States. Canadian authors wish to prevent their remaindered books from entering Canada. Problems with stopping allegedly infringing articles at Customs are similar to those already mentioned with respect to trade marks.

As for the flow of services, there is substantial opposition in Canada to the grant of cable transmission rights to American copyright owners. Recent Canadian recommendations for conferring performing rights in recordings, for according performance rights to performers, and for making payments for home taping, would require U.S. reciprocity before being extended to Americans. Public performing rights are handled differently: the performing rights societies operate under comprehensive consent decrees in the United States but not in Canada, where we have a rate setting Copyright Appeal Board. In the ongoing study of the revi-

sion of Canadian copyright law there has been little or no discussion about facilitating transborder flow of goods and services, or about favoring Americans over other non-Canadians.

I have discussed, briefly, the substantial differences that now exist, under United States and Canadian decisions, as to the reach of copyright to prevent copying of three dimensional articles.²⁷⁰ The wayward developments in Canada to date suggest that copyright owners can interfere with Canadian manufacture to an extent not dreamed of in the United States, thereby excluding many Canadian manufacturers from both markets. Though the copyright in Canada and in the United States may be owned by the same person, the comparatively limited scope of U.S. copyright is unlikely to stop the manufacture in the United States of articles that could not be made in Canada without infringing.

For those hoping to sell in the United States, free of copyright problems, this is a clear inducement to manufacture in the United States rather than in Canada. The copyright owner might assert his Canadian copyright against those who import into Canada from the U.S., but only after proof that the importers have knowledge that the articles were made in the United States by someone having no right to make them in Canada.²⁷¹ This knowledge requirement, plus the difficulty of keeping track of importers and their distributors, may enable U.S. manufacturers to prosper from the Canadian market, whereas anyone contemplating manufacture in Canada would be a sure target for the copyright owner. This copyright example merely illustrates how trade can be distorted when the rights conferred are not uniform in the two countries.

X. CONCLUSION

The differences between U.S. and Canadian intellectual property laws are real and significant. Efforts that might be mounted to bring them into greater agreement deserve encouragement but will encounter formidable obstacles. Bringing the substantive laws into greater agreement would be a step towards the evolution of an international system. The laws of the United States and Canada, particularly the patent laws, differ markedly in some respects from those in other parts of the world, notably those in the European Common Market. If common ground is to be found between the United States and Canada, the merits of adopting the common ground already achieved in other countries deserves close examination.

Meanwhile, coupled with the differences in our laws, there are so many vested and inconsistent rights subsisting in our countries, and such significant differences in procedures, both administrative and judicial, that it is difficult to see how intellectual property rights can be regarded as anything but an exception that will have to be accepted in the forth-

²⁷⁰ See discussion, *supra*, note 246, and text.

²⁷¹ See discussion, *supra*, notes 199-201 and text.

coming free trade discussions, save for such concessions as may be made to bring the laws into closer agreement, and to reduce duplication of effort in administrative functions.